

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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CONTRACTING PARTIES  
Eleventh Session

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## SUMMARY RECORD OF THE SECOND MEETING

Held at the Palais des Nations, Geneva,  
on Friday, 12 October 1956, at 10 a.m.

Chairman: Mr. L. Dana WILGROSS (Canada)

- Subjects discussed:
1. Schedules
  2. Financial statement and budget
  3. Trainee programme
  4. Commodity problems
  5. United Kingdom waiver/Article I
  6. United Kingdom waiver/Dependent overseas territories

### 1. Schedules (L/487 & Add. and L/483 & Add.)

The CHAIRMAN noted that a number of contracting parties had submitted requests for rectifications and that certain schedules must be modified as a result of negotiations under Article XXVIII; it would therefore be necessary to prepare for signature a protocol of rectifications and modifications. It was customary for the CONTRACTING PARTIES to refer such questions to a working party early in the Session. This year, however, the working party on Schedules would have the additional task of preparing for the new edition of the Consolidated Schedules and as the session proceeded there might be other questions affecting Schedules which would require examination by the working party.

The CONTRACTING PARTIES approved the establishment of a Working Party on Schedules with the following membership and terms of reference:

Chairman: Mr. J. Prendergast (New Zealand)

<u>Membership:</u>	Australia	Japan
	Brazil	Netherlands
	Canada	Sweden
	Cuba	United Kingdom
	France	United States
	Germany	

### Terms of reference

1. To examine requests by contracting parties for rectification and modification of their schedules and to prepare a protocol for signature before the close of the Session.

2. To examine any questions that arise in connection with the preparation of Consolidated Schedules and to make recommendations to the CONTRACTING PARTIES.
  3. To consider any other matters affecting the Schedules to the Agreement which may be referred to it by the CONTRACTING PARTIES.
2. Financial Statement and Budget (L/499, L/506, L/509, L/521, L/527, and L/548)

The CHAIRMAN said that the audited accounts for 1955, the report on the financing of the 1956 budget and the budget estimates for 1957 had been distributed. It was desirable that a working party to study these matters should be established early in the Session. The question of the scale of contributions was included on the agenda by agreement at the last session and should be referred to the same working party. Further, the question of affiliation of the ICITO staff to the United Nations Pension Fund had been examined by the Intersessional Committee at its meeting in September, and the Committee had recommended in its report (L/548) that the delegates of contracting parties to the next meeting of the General Assembly of the United Nations should endeavour by concerted action to obtain an amendment or an agreed interpretation of the Pension Fund regulations in order to facilitate the affiliation of the ICITO staff to the Fund. The United States representative had agreed to suggest to his Government that for this purpose it should act as convenor of the delegates of contracting parties at the Assembly. The working party might also examine this question.

Dr. NAUDE (Union of South Africa) recalled that his delegation had broached the question of revising the scale of contributions at the last session. Some of the points made were mentioned in last year's working party report. His delegation had not pressed the issue at that time, but he was glad that the item was now on the agenda and hoped that the CONTRACTING PARTIES would establish a more equitable scale of contributions.

Mr. PEREZ-CISNEROS (Cuba), referring to the statement in L/521 regarding unpaid contributions, said that the Cuban contribution had been delayed owing to a change in Treasury procedures relating to appropriations. The difficulties had now been overcome and payment should not be long delayed. In his view, the financial and administrative questions under discussion had assumed great importance this year, and he hoped that the CONTRACTING PARTIES would give careful attention to the questions of the pension fund, the budget for 1957 and the scale of contributions. As regards administrative problems, the recruitment policy might be reconsidered; consistently with the aim of securing the highest standards of efficiency and competence the selection of officers should take more into account the desirability of securing a balanced representation of the geographical areas and of the various types of economy of the contracting parties.

Mr. CORSE (United States) said that his Government was prepared to consider some revision of the scale of contributions, which might bring countries more into line with their current shares of trade. The request of the Intersessional

Committee to the United States to act as convenor concerning the pension fund had been referred to his Government, but no decision had yet been taken. One of the deciding factors on which information had been requested, was the relative costs and benefits of various other types of pension fund as compared with those of the United Nations. His Government did not feel it desirable to assemble representatives in New York unless it were prepared to support the secretariat proposal. As there was little time before the meeting of the Assembly it would be helpful if the information on other schemes could be supplied as soon as possible.

The CHAIRMAN said that every effort would be made to give this information to the working party.

Mr. SANDERS (United Kingdom) said that the recommendation of the Inter-sessional Committee concerning the pension fund had been examined in London in the light of what, it was believed, the likely relative costs would be. His Government were prepared to join in concerted action at the next United Nations assembly on the lines proposed by the Committee, which seemed to offer the best solution, though it appeared that some further discussion might be necessary. He was sure that it would give comfort to the Executive Secretary and his staff, if an assurance in this matter could be given prior to the United Nations Assembly meeting that such concerted action would be taken by the contracting parties present at that Assembly.

Dr. NAUDE (Union of South Africa), recalling that the idea of a convenor in New York had originated with his delegation, suggested that the working party should perhaps request another contracting party, possibly the United Kingdom, which had shown itself in favour of the proposal, to act in that capacity.

Mr. MACHADO (Brazil) said that his Government had always been in favour of a fair solution of the pension fund problem and enquired whether this item had been formally placed on the agenda of the General Assembly. His personal experience at United Nations meetings indicated that if the matter were not so tabled beforehand, no solution was likely to result. Brazil would be prepared to take part in the concerted action proposed.

The EXECUTIVE SECRETARY stated that the secretariat was in touch with the United Nations and that he hoped that adequate information on this point would shortly be available to be supplied to the working party.

The CONTRACTING PARTIES approved the appointment of a Working Party with the following membership and terms of reference:

Chairman: Mr. O.P. Machado (Brazil)

<u>Membership:</u>	Australia	India
	Canada	Italy
	Ceylon	Union of South Africa
	Cuba	United Kingdom
	Czechoslovakia	United States
	France	

Terms of reference:

- (a) To examine any question arising in connection with the audited accounts for 1955, the financing of the 1956 budget and the proposals for the budget for 1957, and to submit recommendations to the CONTRACTING PARTIES.
- (b) To consider the question of the revision of the scale of contributions.
- (c) To examine problems arising in connection with affiliation of the staff to the United Nations Joint Staff Pension Fund.
- (d) To consider any other administrative questions.

3. Trainee Programme (L/511 and L/518)

The CHAIRMAN said that, as requested by the CONTRACTING PARTIES, the Intersessional Committee had examined the Executive Secretary's report on the operation of the trainee scheme in 1956. As recorded in its report the Committee considered that the programme had served a very useful purpose in enabling officials of underdeveloped countries to study commercial policy problems and become better acquainted with the General Agreement. The Committee had strongly recommended that the scheme be continued, and on the basis of this recommendation the Executive Secretary had invited nominations for 1957.

Mr. PEREZ-CISNEROS (Cuba) thought that the programme had been most valuable to governments and that credit should be given both to the GATT Secretariat and to the Technical Assistance Board of the United Nations, which provided the necessary finance. His delegation would place on record its appreciation of this contribution and would propose that insofar as possible the scheme be expanded.

Mr. PADMANABHAN (India) also paid tribute to the Executive Secretary and his staff. He considered that the scheme, involving tuition, practical work in the secretariat and observation trips in European countries, was a most valuable one. It should not only be continued but further developed to the benefit of more countries. This should not be impossible in view of the fact that it was principally financed by the Technical Assistance Administration, not involving any additional burden on the budget of the CONTRACTING PARTIES.

Mr. MACHADO (Brazil) pointed out that there were two obstacles to an expansion of the scheme, namely the problem for the secretariat to take on this extra burden without incurring additional costs and the limitation of the number of fellowships which could be obtained from the United Nations Technical Assistance Administration. In order to overcome these obstacles so that more scope could be given this deserving enterprise the CONTRACTING PARTIES should examine the possibility of securing funds from other sources. The responsibilities of governments in the field of commercial policy increased continuously and any assistance that the CONTRACTING PARTIES could give either in providing technical advice or training personnel on their behalf would be extremely welcome. The CONTRACTING PARTIES should therefore instruct the Executive Secretary to explore all ways and means of expanding the programme by direct or indirect methods of financing.

Mr. GARCIA OLDINI (Chile) considered that the programme was useful not only to the underdeveloped countries which sent officials to participate in it, but to all countries interested in international trade. With the evolution, from classical concepts of the international division of labour, of new ideas concerning international economic relations to trade, detailed knowledge and adequate grounding in basic theory had become all the more important for the effective implementation of commercial policies. In assisting the underdeveloped countries in this field, the trainee programme would ultimately contribute to the expansion of trade which would be to the benefit of the more advanced countries. He therefore would support the Brazilian proposal that the possibility of expanding the programme be carefully studied by the working party.

Mr. CARIM (Turkey) considered this generous assistance provided through the effort of the CONTRACTING PARTIES to be most useful to the underdeveloped countries.

Mr. OSMAN ALI (Pakistan) assured the CONTRACTING PARTIES that the training received by the participant from Pakistan would, upon his return to the home country, be put to the most effective use. He proposed that this excellent scheme be extended so that more than the present five or six officials could participate in it every half year.

Mr. HAGUIWARA (Japan) while supporting the proposal that the matter be studied in detail by the working party on Budgetary questions, suggested that insofar as possible the additional finance involved in expanding the programme should be secured from outside sources rather than from the budget of the CONTRACTING PARTIES. Conceivably governments sending trainees might be asked to bear the expenses themselves. The more difficult problem would be to overcome the limitation placed on expansion by the present capacity of the secretariat to absorb the training work without incurring additional expenses. These, in his view, were questions on which the Working Party should concentrate its attention.

Mr. HOCKIN (Canada) thought that the credit for the success of the trainee scheme should be shared between the Executive Secretary and his staff who conceived of the idea and planned for its effective implementation, the Technical Assistance Administration of the United Nations which provided the finance in spite of the pressing demands for assistance which it faced, and the governments which made available competent persons for participating in the scheme. The proposal to expand the scheme should be referred to the Working Party for careful examination.

Mr. ISMAEL (Indonesia) said that as Indonesia was in urgent need of expert personnel in all fields his government was grateful for the facilities provided in this scheme as it was grateful for all external assistance to the economic development of the country. Indonesia for its part would cooperate in the scheme.

Sir Claude COREA (Ceylon), in supporting the proposal to expand the scheme, observed that this constituted one of the positive steps taken by the CONTRACTING PARTIES. The training in the field of high commercial policy was one which could not be had elsewhere. It should be continued at all cost and expanded if possible: the Working Party should examine the points raised in the discussion.

Mr. SANDERS (United Kingdom), agreeing that the scheme should be continued and that the possibility of expansion should be examined, stated that some of the dependent overseas territories of the United Kingdom had shown an interest in the scheme and might request to participate in it.

Mr. CORSE (United States), recalling the statement made by the head of the United States delegation at the opening meeting of this Session, stated that the United States Government was also in favour of the continuation of the trainee scheme.

The EXECUTIVE SECRETARY said that he was gratified at seeing the success of the scheme. Apart from the intrinsic value of the training thus provided to governments, it was based on the consideration that it was important for the CONTRACTING PARTIES to develop the positive aspects of GATT as an institution, as contrasted to the negative aspects of the set of rules governing international trade. Though this scheme had so far not involved any direct budget charge it had created a certain burden for the staff, which

it was hoped the Working Party would be able to devise ways and means of alleviating. Had the Organization for Trade Cooperation been set up it would have been in its right to ask to be associated with the Technical Assistance Administration; in present circumstances the CONTRACTING PARTIES might wish to ask the Working Party to consider the desirability of requesting their association with that Administration. Though the present programme was extremely limited in scope, the modesty in quantity was more than compensated by the excellence in quality as all the officials so far participating in the scheme had been of high standing and with sufficient qualifications. In order not to impair the high standard thus achieved it would be important to proceed with caution in expanding the scope of the scheme, and above all it would be deviating from the objectives of the scheme if it were developed into a kind of academic seminar of discussions unassociated with the actual work of the CONTRACTING PARTIES. Special appreciation was due to the Governments of France, the Federal Republic of Germany and the United Kingdom which in the first period of the programme had given the participating officials an opportunity to study administrative procedures in particular fields of customs administration. He hoped that similar assistance would be extended in the future.

The CHAIRMAN, in summing up, said that the discussion had shown unanimous endorsement of the trainee scheme. The scheme was one of the positive achievements of GATT, and it had been suggested that it be extended. Matters of an administrative nature were within the competence of the Working Party on the Budget to which it should be referred. The Working Party before taking up this question should give notice to all contracting parties so that interested delegations might arrange to participate in the discussions.

The CONTRACTING PARTIES approved this proposal of the Chairman.

#### 4. Commodity Problems (L/531)

The CHAIRMAN recalled that the Draft Agreement on Commodity Arrangements prepared by a working party for the Tenth Session had generally been considered to represent substantial progress towards an acceptable agreement, but certain differences remained to be resolved and the Intersessional Committee had been instructed to keep the matter under review. At its September meeting the Committee considered that the divergences of opinion were still unreconciled and, for this reason, did not consider that any useful purpose would be served by convening a drafting group. The Committee therefore decided to recommend that the interested delegations should consult early in the Session to see whether it appeared likely that an agreement could be reached along the lines of the draft Agreement and, if not, what alternative approaches to the question of commodity trade might be developed by the CONTRACTING PARTIES.

Mr. MACHADO (Brazil), commenting on the recommendation of the Intersessional Committee, said that if the CONTRACTING PARTIES considered it to be within the competence of GATT and wished to make progress toward an acceptable agreement, the issues should be examined by the representatives of contracting parties in a working party established by the CONTRACTING PARTIES, and not in informal meetings.

The EXECUTIVE SECRETARY explained that in making its recommendation the Committee had had in mind the advantages of an informal exchange of views between delegations before the matter was referred to the working party which had originally been appointed at the Review Session and reconstituted at the Tenth Session, and which would in any case be reappointed at this Session. This working party, already specialized in commodity trade problems, could take into account all relevant developments since the previous Session and make recommendations to the CONTRACTING PARTIES on the questions mentioned in the report of the Intersessional Committee.

Sir Claude COREA (Ceylon) thought the interested governments, as well as the secretariat, had made great efforts in the intersessional period, as recommended by the Tenth Session, to reach a solution, but as could be expected the differences remained unresolved. He would therefore strongly support the proposal to reconstitute the working party in which way progress might more easily be made in this matter which, in the view of the Ceylon delegation, was one of the most important questions to be considered at this Session.

Mr. PEREZ-CISNEROS (Cuba) associated himself with the views of the representatives of Brazil and Ceylon. He hoped that the differences of view concerning the inclusion of Chapter VI of the Havana Charter in the General Agreement would be resolved.

Mr. FORTHOMME (Belgium) said that his delegation would not object to the reconstitution of the Working Party provided its tasks were not limited to an attempt to revise the draft Agreement. The Working Party should start again from the very outset by considering the basic problems and exploring how progress might be achieved.

Mr. WARWICK SMITH (Australia) supported the views of the Belgian delegate.

Mr. ISMAEL (Indonesia) said that while the CONTRACTING PARTIES were discussing commodity agreements progress had been made in this field by other international bodies. He referred to the Resolution of the ECOSOC this year to request ICCICA to continue to discharge its functions and to confirm for the present the terms of reference of the Commission on International Commodity Trade. He was also in favour of reestablishing the Working Party and urged the CONTRACTING PARTIES to arrive at a decision at this Session.

Mr. SWAMINATHAN (India) supported the proposal for reappointing the Working Party. As had been stated at a recent meeting of the ECOSOC no new machinery to deal with the problem was required but only coordination and effective use of existing machinery.

Mr. SENANAYAKE (Ceylon) pointed out that it was the producer countries which had shown the clearest interest in the draft Agreement on Commodity Arrangements but that for reaching a satisfactory and meaningful agreement large consumer countries should also show their interest. Failure to reach agreement in this matter would be disastrous because it might induce or even force some countries to revert to bilateralism or other solutions, for instance in the tariff field, which were contrary to the objectives of GATT.

Mr. HOCKIN (Canada) said that since his country was both a consumer and a producer of primary products it was in a good position to consider the two aspects of the problem. He reaffirmed the interest of his country in this important aspect of world trade which came undeniably within the terms of reference of GATT. If there existed no agreement on how to deal with the problem there certainly was a consensus of opinion on its importance. He shared the view of the Belgian delegate that attention should not be limited to the draft Agreement but should be given to the underlying problems of commodity trade. Contracting parties, both producer and consumer countries, should continue to participate in this work.

Mr. SANDERS (United Kingdom) thought that it was not necessary to restate the views of his delegation on this problem. He agreed that the Working Party should be reconstituted but thought that it would be wise to have certain informal contacts before it met.

Mr. SEMANAYAKE (Ceylon) pointed out that if it were agreed that the Working Party reconsider the whole problem of commodity arrangements it would be unwise to delay the appointment of the Working Party until later in the Session. He therefore suggested that the matter be taken up immediately both in the Working Party and outside in informal discussions.

Mr. PHILIP (France) stated that France was interested on its own behalf as a consumer and on behalf of its overseas territories as producers. In his speech of May 1956 the Foreign Minister of France had stressed the necessity for under developed countries to be assured stability in the prices of their primary produce. The failure to arrive at an agreement in this field might have adverse repercussions on the commercial policies in GATT. He shared the view of the Indonesian delegate that it was necessary to arrive at a decision and not simply to continue carrying the matter forward on the Agenda. He had come to the conference rather pessimistic; the proposed text was cumbersome providing for machinery which would not function easily and was furthermore unsatisfactory to under-developed countries. This discussion had given him new hope. He agreed that if the Working Party were reappointed it should be free to study the whole problem and not only the draft Agreement. Some countries might be ready to compromise and he believed that preliminary informal discussions would be useful and give the Working Party a basis on which to work. If the Working Party were reappointed, he would suggest that its first meeting should not be held for eight or twelve days.

Mr. CORSE (United States) stated that his Government maintained the position it had taken at the Ninth and Tenth Sessions.

The CHAIRMAN concluded that the discussion had shown a general desire to reconstitute the Working Party on Commodity Problems. The recommendation of the Intersessional Committee had not been to exclude formal discussion but that informal talks should take place prior to discussions in a working party. Some delegates had proposed that the Working Party should not meet immediately, while others had expressed the view that examination of the question should begin as soon as possible. Taking account of all these views the Chairman proposed to reappoint the Working Party which would hold its first meeting after eight to ten days.

The CONTRACTING PARTIES agreed to reappoint the Working Party on Commodity Problems with the following terms of reference and with the following membership:

Terms of reference

To study what approaches to the question of commodity trade should be developed by the CONTRACTING PARTIES taking into account the previous discussions relating to the draft Agreement on Commodity Arrangements.

Chairman: (to be elected by the Working Party)

<u>Membership:</u>	Australia	Czechoslovakia	Italy
	Austria	Denmark	Japan
	Belgium	Dominican Republic	Kingdom of the Netherlands
	Brazil	France	Federation of Rhodesia and Nyasaland
	Canada	Federal Republic of Germany	Sweden
	Ceylon	India	Turkey
	Chile	Indonesia	United Kingdom
	Cuba		

5. United Kingdom waiver/Article I (L/523)

Mr. SANDERS (United Kingdom) referring to the third annual report submitted by his Government on action taken under the waiver during the past year stated that during that period the waiver had been invoked in connection with changes made on four items, two of which were ancillary to the invocation of the waiver concerning dependent overseas territories.

Mr. GUNDELACH (Denmark) recalled that his Government's position regarding this waiver had been fully explained at previous sessions. Though it was realised that the United Kingdom had only used the waiver to a limited extent his Government would still look forward to its abolition. The Danish delegation would not comment further on the report as Denmark had no direct interest in the commodities affected by the action taken.

The CONTRACTING PARTIES took note of the report.

6. United Kingdom waiver/Dependent Overseas Territories (L/522)

Mr. SANDERS (United Kingdom) referring to the second annual report by his Government on action taken under the waiver granted on 5 March 1955 said that the waiver had been invoked in connection with two items, and contracting parties had been informed in accordance with the procedures of the Decision. No contracting party had raised any objection to the proposed action.

The CONTRACTING PARTIES took note of the report. The representative of Czechoslovakia asked that his abstention be recorded.

The meeting adjourned at 12.35 p.m.