

**GENERAL AGREEMENT ON
TARIFFS AND TRADE**

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CONTRACTING PARTIES
Eleventh Session

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SUMMARY RECORD OF THE EIGHTH MEETING

Held at the Palais des Nations, Geneva,
on Tuesday, 23 October 1956, at 10 a.m.

Chairman: Mr. Garcia OLDINI (Chile)

- Subjects discussed:
1. European Coal and Steel Community waiver
 2. Customs Administration
Consular Formalities
Nationality of Imported Goods
Marks of Origin
Certificates of Origin
Samples Convention
 3. Anti-Dumping and Countervailing Duties
 4. Brazilian Tariff and Schedule
 5. Brazilian Internal Taxes

1. European Coal and Steel Community waiver (L/526 and Add.1, L/543 and Add.1)

The CHAIRMAN called upon the spokesman for the six member States to present their Fourth Annual Report to the CONTRACTING PARTIES.

Mr. ELVINGER (Luxemburg), in the name of the six member States, gave some brief comments on the report. The fourth year of the common market had witnessed substantial tariff reductions, especially for special steels. No new quantitative restrictions had been imposed and measures intended to do away with the existing quantitative restrictions were under preparation. Agreements had recently been concluded with Austria and the United States. The Community was always prepared to negotiate along similar lines with other contracting parties. He wished to state that the Community was not an end in itself: its aims stretched beyond the harmonization of duties and the creation of a common market. It was in fact only a forerunner pointing the way to other groups which were working for the economic integration of Europe. He concluded with the assurances of the six member countries that they would continue to be guided in their commercial and tariff policy in accordance with their general objectives under the Agreement.

Mr. SIMONET (Austria) said that at earlier sessions his delegation had expressed its concern over the numerous unsettled problems in the relations between his country and the Community. With this in mind, he was pleased to inform the CONTRACTING PARTIES that the recent tariff negotiations although not entirely

satisfactory had contributed considerably to clear up the situation. However there remained problems in connexion with the application of their agreement. While, as far as steel was concerned, a provisional solution had thus been worked out, another problem was becoming increasingly serious. He referred to the increasing difficulty of obtaining supplies of solid fuels from the Community. The report showed that exports of coal to Austria in 1956 had declined heavily in comparison with 1954 and 1955. This had necessitated expanded imports of American coal, which, for geographical reasons had involved a substantial increase in the cost. The same geographical reasons explained why imports of coal from America into Austria were much more costly than when imported into Community countries. He hoped that a solution to this serious problem could be worked out in further discussions with the Community representatives.

Mr. NAEGELI (Denmark) stressed the importance that prices played for a country like Denmark which took the largest part of its imported steel and coke from the Community; movements in prices had therefore to be followed closely. This task had been greatly facilitated by the report of the Community and the note prepared by the Executive Secretary. The salient fact with respect to prices was that export prices had risen more than internal prices in the Community, both as regards coke and steel. Although internal prices had shown a fair degree of stability in some of the countries, they had risen considerably in others. Because of this lack of uniformity the "common market" for steel could not yet be said to form one single market, at least in so far as internal trade was concerned. There was, by contrast, a common price policy followed vis-a-vis third countries under the guidance of the Brussels Convention, which had had the result that the equalizing effect on export prices for steel was stronger than on prices for steel traded inside the common market. He enquired why the large imports of American coal into the Community, which were given as the reason for the rise in the price of coal and coke, had become necessary. Not, surely, because of increased exports of coke; in fact exports to third countries had fallen somewhat in 1956 compared to 1955. What had happened was that the Community's coke consumption had risen enormously. In the circumstances it was difficult to see why the burden of the higher American coal prices should be borne by third countries.

Owing to the very small exports of steel, coal and coke as compared with domestic production, both in the Community and elsewhere, world market prices should be studied first of all against the background of internal prices. The Community moreover, being the largest single steel exporting group in the world, could be considered a leader in world export markets; the statement that its export prices follow world market prices therefore could not be valid. Regarding internal steel prices, stability had been achieved only in Germany and France where there was a certain measure of government intervention, but such had not been the case with the freely determined prices in Belgium and Luxemburg, which had been anything but stable. Therefore, whether an importer obtained equitable prices from the Community or not might well depend on the particular community country from which the steel was imported.

He further drew attention to the unequal internal price development in France, Germany and Belgium, since the common market was opened in 1953, when they had been at about the same level. Belgian prices had risen much more than those in the other two countries. Such a development could only be justified by production cost considerations of which there was no clear evidence. He hoped that representatives of the Community would be able to clarify this point. Before Belgian prices could be used as a basis to judge the character of export prices, it should be established whether those prices were themselves reasonable. This was especially important since Belgian prices seemed to have had a decisive influence on Community export prices.

MR HAGEN (Sweden) said that the documentation available would make possible a thorough examination of the way in which the Community had fulfilled its obligations under the waiver. He welcomed the tariff reductions on iron and steel made by the Community members and regarded them as a first step towards the harmonization of tariffs which he hoped would be realized in a not too distant future. He also hoped that the Community would be able to clarify their further intentions in this respect. He further referred to the strained supply situation, especially for scrap and coke but also for certain kinds of steel; there was particular concern in Sweden with regard to the severely limited possibilities of importing scrap from the Community. It would be interesting to know whether the Community believed that measures taken to increase coking capacity would ease the situation with regard to coke supply and prices. It seemed that importers in third countries had to carry a relatively large share of the burden caused by this shortage, with undesirable effects on their competitive capacity.

Mr. SWAMINATHAN (India) said that his country had successfully negotiated for steel supplies both with Community countries and with suppliers in other areas. As regards prices, he noted that although the difference in Community export prices as between North America and other destinations had in principle been abolished, differences still remained in certain cases. Like the representative of Denmark, he was concerned about the sharper increase in the Community's export prices than in its internal prices. The possibility of a casual relationship between the higher export prices and expanded production ought to be investigated. He stressed that the waiver granted implied that third countries should get a fair share of the supply at prices in harmony with those of other exporting countries and reconcilable with those applied inside the Community. The benefits which the common market brought to its members should, he said, be shared by other countries.

Mr. TATSUKE (Japan) stated that though in his country the steel industry was mainly producing for the domestic market, it would be of interest to be informed about the possible harmful effects which the export price cartel may have had on the world steel market. His delegation had followed closely the discussions of this matter in earlier sessions. The waiver was granted to the Community on condition that interests of third countries would be fully

protected, but it seemed that there was no clearly defined set of rules for the application of this principle. As far as export prices were concerned the interpretation which had been given to the text in the preamble to the waiver, left the field open for more or less difficult discussions. In these circumstances his delegation hoped that it would be possible during this session to get a clear idea of the Community's responsibility with regard to export prices, so that the steel industry in his country could be kept informed.

Mr. CORSE (United States) pointed out that his country had a strong and friendly interest in the Coal and Steel Community, which was described by President Eisenhower as "the most hopeful and constructive development so far towards the economic and political integration of Europe". He expressed the hope that not only member countries but also countries outside the Community would share in the benefits in the form of more efficient production, lower costs and improved living standards. The provisions of the Treaty, which pointed towards expanding trade with the outside world through various measures, were therefore important. He expressed his satisfaction for the full report submitted by the member States; he would nonetheless welcome further clarification on certain points as, for example, the level and the fixing of export prices of the Community.

It was agreed to refer the report to a Working Party with the following terms of reference and membership:

Terms of reference:

To examine, in the light of the statements made at the plenary meeting of 22 October and all other relevant data, the fourth annual report of the Member States of the European Coal and Steel Community, and to report thereon to the CONTRACTING PARTIES.

Chairman: Mr. Taha Carim (Turkey)

<u>Members:</u>	Austria	Germany, Federal	Japan
	Belgium	Republic of	Luxembourg
	Chile	Greece	Netherlands, Kingdom of
	Denmark	India	Sweden
	France	Indonesia	United Kingdom
		Italy	United States

2. Customs Administration

Consular Formalities (L/557)

The CHAIRMAN recalled that in 1952 the CONTRACTING PARTIES had recommended to governments that all consular formalities in connexion with the importation of goods should be abolished "as soon as possible and in any case not later than 31 December 1956". Some countries had acted in accordance with this recommendation, whilst some others, a number of which had explained their difficulties at a previous session, still maintained consular formalities and levied fees in connexion therewith. As the date by which the abolition of these formalities was to have been accomplished was now only two months away, the CONTRACTING PARTIES might wish to review the position. To facilitate this task the Executive Secretary had prepared a note (L/557) describing the present situation.

Mr. POLLARD (United Kingdom), referring to the considerable progress made by some countries in eliminating consular formalities, said there were some others which seemed to have made no progress. These formalities were the subject of strong complaint from United Kingdom traders and the irritation and expense they caused probably more than outweighed their value to the governments concerned. He suggested that the question be referred to a working party which should examine it in detail with those contracting parties which still maintained consular formalities with a view to their early elimination.

Mr. SKARER (Norway) expressed concern at the lack of progress in this field. Referring to the Norwegian statement on the balance-of-payments question (SR.11/3), he said that consular formalities were one of the measures having the same adverse effects on trade as quantitative restrictions. The Recommendation of 1952 described these formalities as the most serious of the invisible barriers to trade. His Government was grateful for the cooperation shown by the Governments of the United States and France in observing the Recommendation. He could understand that it was difficult to remove long-established regulations, but the CONTRACTING PARTIES should continue to strive for progress in this field. As a certain number of governments were unlikely to have complied with the Recommendation by the end of the year, he suggested that the CONTRACTING PARTIES should invite them again to eliminate these barriers with the additional obligation to report annually on the progress achieved.

Mr. EICHHORN (Federal Republic of Germany) recalled the interest of his Government in the abolition of consular formalities and fees which were apparently still maintained by some nine countries affecting a large part of their import trade. Whilst recognizing their difficulties in complying with the Recommendation, he considered it contrary to the objectives of the Agreement if all contracting parties did not grant the same facilities in this field. The situation should therefore be examined in detail by a working party, in order to find a solution.

Mr. M.H. VAN WIJK (Kingdom of the Netherlands) supported the proposal to refer this matter to a working party.

Mr. PRENDERGAST (New Zealand), agreeing that some progress had been made, thought that much remained to be done, particularly in certain areas. New Zealand did not apply consular formalities and he did not believe that they were difficult to abolish. He suggested that the countries concerned be invited to alter their procedures and supported referring the matter to a working party.

Mr. SAW OHN TIN (Burma) said that his Government maintained no consular formalities and supported any move to eliminate them.

Mr. HOCKIN (Canada) agreed that it was a matter of concern that these barriers continued to exist and supported referring the question to a working party for study.

Mr. MACHADO (Brazil) said that his Government had never disagreed with the objectives of the Recommendation. This question had been under consideration, but so far it had not been possible to comply. The Committee dealing with the tariff reform, however, had also studied all questions concerning customs procedures, including the simplification of consular formalities and fees. He pointed out that the consular fees were, finally, paid by the Brazilian economy since the foreign currencies collected by the Brazilian consular offices were reimbursed to the exporter, under the existing exchange regulations which permitted the addition of such fees to the c.i.f. prices of the merchandise imported. He hoped that Brazil would be able to comply with the Recommendation, but the CONTRACTING PARTIES should bear in mind that all countries apply restrictions of one kind or another which, because of administrative difficulties, could not be removed as rapidly as they might wish.

Sir Claude COREA (Ceylon) said that in his country consular visas were required only for trans-shipped preferential goods not covered by a through bill of lading. This requirement would be abolished by the end of the year.

Mr. SIMONET (Austria) said that Austria, which no longer maintained such formalities, supported their elimination.

Mr. CORSE (United States), associating himself with the various statements made, hoped that the formalities still in force would be reduced and eliminated.

It was agreed to refer the question of consular formalities to the working party to be established on trade and customs regulations.

Nationality of Imparted Goods

The CHAIRMAN recalled that the question of establishing a common definition of origin had been considered at the Eighth Session but that agreement had not been reached on the need for such a definition. At the Tenth Session the representatives of Germany and Austria had presented proposals but further consideration of the question had been deferred.

Mr. EICHHORN (Federal Republic of Germany), recalling that his Government had always been in favour of a common definition of origin, said that it had made a proposal (L/434) which, together with the note of the Austrian Government (L/444) had not, unfortunately, provoked any comment at the Tenth Session. Therefore, he did not consider it opportune to press for a decision at this stage but he would like to invite the CONTRACTING PARTIES to give his Government the possibility to return to this problem at a more appropriate time and to keep it on the agenda.

It was agreed that this item would be placed on the agenda for the Twelfth Session.

Marks of Origin (L/430, L/478 and Addenda, L/544, L/556)

The CHAIRMAN recalled that at the last Session the CONTRACTING PARTIES had had before them a resolution adopted by the International Chamber of Commerce aiming at the adoption of common principles for an international arrangement relating to the use of marks of origin (L/430). Contracting parties had been asked to submit extracts of their relevant legislation and regulations and to comment on the Chamber's resolution. The extracts and comments received had been distributed in the addenda to document L/478. In addition, the International Chamber of Commerce had submitted a memorandum (L/544) giving instances of alleged difficulties encountered by traders as a result of existing governmental regulations.

The secretariat had prepared a note (L/556) which gave an outline of the history of discussions on marks of origin and also analyzed the Chamber's proposals and some of the laws and regulations of governments in relation to the provisions of Article IX of the General Agreement.

It was agreed to refer this item to the working party to be established on trade and customs regulations.

Certificates of Origin (L/481 and Addenda, L/554)

The CHAIRMAN said that another resolution submitted at the Tenth Session by the International Chamber of Commerce related to the recommendations concerning proof of origin which had been adopted by the CONTRACTING PARTIES in 1953. The Chamber had suggested an amendment of the paragraph of the recommendations which related to the offices competent to issue certificates. This question had been deferred for consideration at this Session and meanwhile contracting parties had been asked for their comments. The statements received had been distributed in the addenda to document L/481 and the Executive Secretary had issued a note (L/554) summarizing the comments received.

It was agreed to refer this item to the working party to be established on trade and customs regulations.

The CONTRACTING PARTIES agreed to the establishment of a Working Party on Trade and Customs Regulations with the following terms of reference and membership:

Terms of reference:

To consider the questions on the agenda relating to consular formalities, marks of origin and certificates of origin in the light of all the relevant documents and to submit recommendations thereon to the CONTRACTING PARTIES.

Membership:

Chairman: Mr. F. DONNE (France)

Brazil	Germany, Federal	Nicaragua
Burma	Republic of	Peru
Canada	India	Rhodesia and Nyasaland
Ceylon	Indonesia	Sweden
Czechoslovakia	Italy	Turkey
Dominican Republic	Netherlands, Kingdom of the	United Kingdom
France	New Zealand	United States

Samples Convention (L/539)

The CHAIRMAN recalled that the Samples Convention had entered into force during the Tenth Session. As reported in L/539 twenty-one countries were now parties to it, while in addition Belgium and the United States had signed it but had not yet deposited instruments of ratification. When the Intersessional Committee at its meeting in September had reviewed the items on the Provisional Agenda, it had been suggested that the CONTRACTING PARTIES should urge governments which had not yet accepted this Convention to do so as soon as possible.

The Chairman enquired whether the representatives of those contracting parties which were not yet parties to the Convention would wish to indicate the likelihood of their governments adhering to it in the near future.

Mr. FERLESCH (Italy) said that the Convention was in process of ratification in his country.

Mr. CARIM (Turkey) said that his Government had ratified this Convention, and that the instruments of ratification would shortly be deposited with the United Nations.

The CHAIRMAN said that the Intersessional Committee had also suggested that the Secretary-General of the United Nations might be asked to recommend acceptance by non-contracting parties which had not yet accepted it.

The CONTRACTING PARTIES agreed that the Executive Secretary should be instructed to communicate with the Secretary-General of the United Nations to this effect.

The CHAIRMAN said that there was another question in connexion with the Samples Convention that required consideration. At the Tenth Session a question of interpretation arising out of the text of Article III of the Convention had been examined by a technical group. Briefly, the question was whether the Convention required the extension of the treatment provided for "samples", also to reduced scale models of articles, and to articles such as "toiles de couture", which are made up of inferior material.

The CONTRACTING PARTIES had instructed the Executive Secretary to seek the opinion of each of the parties to the Convention on this point of interpretation. The replies received have been distributed, and had also been sent to the Customs Cooperation Council, by whom the question had been raised. The replies did not show any measure of agreement. When this question had been considered by the Intersessional Committee in September it had been decided to leave the matter in the hands of the Council, rather than to recommend any further action by the CONTRACTING PARTIES. Now, however, a letter had been received from the Council advising it would await further action by the CONTRACTING PARTIES.

The replies received from the parties to the Convention indicated that a certain number of governments would be prepared to grant to models the same facilities as to samples. To this end recourse could, for instance, be had to a protocol providing for the granting of such treatment. This protocol could be established and opened for signature to those parties to the Convention who were prepared to subscribe to such an obligation. It was clear, however, that the CONTRACTING PARTIES were not competent to take a final decision, and in these circumstances they might consider whether they should convene a meeting of the parties to the Convention, and if so, whether such a meeting could be held in Geneva during the present Session. The Chairman drew attention to the fact that all the parties to the Convention were also contracting parties to GATT, except Egypt, Portugal, Spain, Switzerland and Yugoslavia and that all of these countries, except Spain, were represented at this Session by observers.

Mr. EICHHORN (Federal Republic of Germany) supported the proposal to establish a protocol.

Mr. SIMONET (Austria) said that there was a discrepancy between the English and French texts of Article III of the Convention, as the French text could be interpreted more widely. As his Government had accepted

the French text as the basis of its new law concerning samples, it was in favour of bringing the English text into line.

It was agreed that a meeting of the parties to the Convention should be convened to consider this question of interpretation of Article III of the Convention.

3. Anti-dumping and countervailing duties (L/479 and Addenda, L/552, L/555)

The CHAIRMAN recalled that at their Tenth Session the CONTRACTING PARTIES had decided to invite governments to submit extracts from their national customs legislation and administrative regulations which provided for the levy of anti-dumping and countervailing duties and any supplementary duties and charges intended to protect domestic production against the competition of low-priced imports. Governments had also been invited to provide comments on their experience in this field. The extracts from laws and regulations received by the secretariat had been distributed in the addenda to document L/479 and, as instructed by the CONTRACTING PARTIES at the last Session, this information had been placed before the Intersessional Committee at its meeting in September. As recorded in the Committee's report (L/548, paragraph IV(d)) the Committee had considered that "in view of the nature of the subject it would be desirable for the CONTRACTING PARTIES to arrange for informal consultations between the experts of the interested contracting parties before any decision is taken as to the procedure to be adopted for dealing with the matter."

In document L/552 the secretariat had provided a brief summary of the laws and regulations submitted. The delegations of Norway and Sweden, which had raised this question at the last Session, had now suggested (L/555) that additional information and further studies of a technical character were necessary before the matter was dealt with by the CONTRACTING PARTIES. This would involve, it was suggested, that the secretariat should analyse the information made available and that the contracting parties concerned should make experts available to assist the secretariat in pursuing these studies; the secretariat should then submit a report to the Intersessional Committee or, at the latest, to the Twelfth Session.

Mr. HAGEN (Sweden) was in favour of pursuing the question further, so that information could be obtained on the experience gained in applying such legislation. The study of the secretariat should be continued in this direction, and technical experts made available to it. He hoped that the CONTRACTING PARTIES would find the proposals in L/555 acceptable.

Mr. SKAARER (Norway), recalling the proposal made by his delegation at the Review Session, said that their proposed amendment had not been incorporated in the revised text of the Agreement, and that the Working Party had stated in its report that sub-paragraph (b)(IV) of Article 3 of the OTC Agreement would cover the Norwegian and similar proposals.

As the OTC had not been established, at the Tenth Session it had been considered necessary to take the steps outlined by the Chairman and he was grateful for the cooperation shown by contracting parties. The secretariat had received many replies on existing legislation, but not many on administrative regulations, indicating in his view that many countries were experiencing difficulty in applying the legislation. Norwegian experience had shown that it was difficult to apply anti-dumping rules which were in conformity with Article VI. The Report of the Panel on Complaints regarding the Swedish anti-dumping duty on nylon stockings had dealt effectively with certain aspects of the problem, but as many similar questions were likely to arise in the future the CONTRACTING PARTIES should be better prepared. He hoped, therefore, that the proposal in L/555 would be accepted, and that it would be possible to make progress in this field.

Mr. TATSUKE (Japan) said that his delegation had noted from the reports that many contracting parties had rules and regulations in this field, varying from country to country, though they had not been applied in most countries including Japan. As the competition of low-price imports was a leading issue, his Government were in favour of standardization. The CONTRACTING PARTIES should study the matter further, with a view to reaching a fair solution. He therefore supported the proposal.

Mr. EICHHORN (Federal Republic of Germany) supported the Norwegian and Swedish proposals.

Complaints

Mr. AUGENTHALER (Czechoslovakia) supported the proposals, and drew attention to another aspect of the problem, namely that more use should be made of the consultations procedures of Article XXII. His country had had some experience of such consultations, which had been successful.

Mr. M.H. VAN WIJK (Kingdom of the Netherlands), recalling that there were no laws and regulations in force in his country, considered that the proposed study would be useful.

The CONTRACTING PARTIES approved the proposal that a study of anti-dumping legislation should be made by the secretariat with the assistance of experts from the governments concerned and that a report be submitted to the Intersessional Committee or to the Twelfth Session.

4. Brazilian Tariff and Schedule

The CHAIRMAN recalled that at the meeting on 15 October the CONTRACTING PARTIES had heard a statement by the Brazilian Minister of Finance in which he described the financial, commercial and tariff problems with which his Government was confronted. A new customs tariff had been submitted to the Brazilian Congress and copies of a draft English translation had been made available for interested contracting parties in July. Questions arising in connexion with this tariff and with Brazil's obligations under Article II of GATT were now before the CONTRACTING PARTIES for discussion.

Mr. BARBOZA-CARNEIRO (Brazil) recalled that the Minister of Finance had outlined the economic and financial situation in Brazil and had informed the CONTRACTING PARTIES of measures taken by the Brazilian Government; he proposed now to set out the technical, economic and fiscal aspects of the draft ad valorem customs tariff. The present tariff has been in force for decades and could not now provide adequate protection or sufficient revenue. The nomenclature was confusing and obsolete and took no account of more recently established industries. He pointed out that revenue from customs duty represented 33 per cent of budget revenue in 1934 but in 1955 it was less than 3 per cent; this was due to the levy of specific duties during a period of inflation. This justified the statement that Brazil was entirely deprived of protection by the present tariff and had led the Government to impose quantitative restrictions on imports and, since 1953, to maintain a system of auctioning foreign currencies to be used for the purchase of imports; the level of premiums established by the auction acted to restrict imports. The Brazilian Government felt it would be more appropriate to afford the required protection through the customs tariff. Mr. Barboza-Carneiro emphasized, however, that the changes envisaged did not imply the abolition of exchange controls as they would still be necessary to maintain currency stability and economic development.

In 1951 a Commission had been set up, composed of representatives of various Federal Departments and various sectors of the economy. It recommended the adoption of the Brussels Nomenclature and a revised scale of import duties which took into account the quantitative restrictions that had been applied through the past ten years; the Brazilian Government felt that the new import duties corresponded not only to immediate and long-term interests but also to the breakdown of imports in the last ten years, taking inflationary conditions into account. The new customs tariff would not lead to any increased cost of imports in terms of cruzeiros as offers for the purchase of currencies would be lower owing to the increased import duties. In addition, there would be no changes in the volume or breakdown of imports as the implementation of the new customs tariff would simply transfer to fiscal revenue that part of receipts which, under the present auction system, constituted a burden on imports.

Mr. Barboza-Carneiro referred again to the statement by the Brazilian Minister of Finance and said that in view of Brazil's commitments under GATT the full application of the new tariff would require the consent of the

CONTRACTING PARTIES. Though the reform was primarily of an economic nature the effects of the measure in the fiscal field should not be overlooked, as the increased revenue would strengthen the Governments' ability to counter inflationary pressures. The economic need was so great that the problem of GATT commitments must be considered with realism. He considered there was no need to further justify the urgency of the full application of the new tariff.

The Brazilian Government felt that the procedures of Article XXVIII were not adaptable to the peculiar aspects arising from the full revision of the Brazilian tariff. The difficulty of transposing concessions in Schedule III mainly arose as a result of changes in nomenclature; some 1,400 items initially negotiated corresponded to 4,000 items in the new nomenclature. It would also be difficult to judge compensation, as 65 per cent of Brazilian imports by value were subject to tariff concessions made at Geneva, Annecy and Torquay. For these reasons the Brazilian Government thought that if the CONTRACTING PARTIES recognized the urgency and exceptional nature of the application a waiver should be granted under the procedures of Article XXV:5(a). The Government was firmly convinced that the interests of other contracting parties would not be affected by the implementation of the new tariff and he would provide detailed information to the working party which it was hoped would be set up. He stressed that the Brazilian Government would be willing to negotiate with any contracting party that considered its interests affected.

Mr. Barboza-Carneiro re-affirmed that Brazilian trade policy was orientated towards multilateralism as the best means of safeguarding democratic principles and freedom of initiative, by collaboration and a pooling of resources. He was convinced that the CONTRACTING PARTIES would afford sympathetic understanding to the problem and that a solution would be found which would be satisfactory to all contracting parties without weakening the structure of GATT.

The full text of Mr. Barboza-Carneiro's statement is reproduced in Press Release GATT/313.

Mr. CORSE (United States) recognized the importance of this matter to the Brazilian Government. He said it was an unusual and exceptional problem with many complications, particularly of a technical nature. He supported its reference to a working party and stated that his Government would participate with the greatest sympathy in an endeavour to find a solution to the problem within the GATT framework.

Mr. TSUJIKAWA (Japan) said that his delegation had refrained from participating actively in deliberations on waivers under Article XXV applied for by contracting parties which had invoked Article XXXV against Japan. At the Tenth Session, however, the Brazilian delegate had stated that the invocation of Article XXXV was only a temporary measure and that the preparation of the tariff revision prevented his Government from entering into negotiations with Japan. In the course of consultations it had become clear

that the two governments might enter into tariff negotiations when the revised Brazilian tariff became effective. His delegation would therefore be pleased to participate in the deliberations on Brazil's application and was fully aware of the problems with which Brazil was confronted. He referred to the statement by the Brazilian Minister of Finance and was pleased to observe that Brazilian trade policy did not favour a return to bilateralism. One of the features of the General Agreement lay in its flexibility and his delegation appreciated the intention of the Government of Brazil to seek a solution to its difficulties within the scope of GATT. He thought the problem represented a challenge to the CONTRACTING PARTIES to find a solution satisfactory to all concerned and contracting parties should therefore approach the application with full understanding and sympathy. He added that it was evident that there were many legal and practical problems involved which needed careful study and scrutiny and therefore his delegation supported referring the question to a working party.

Mr. HOCKIN (Canada) stated that his Government regarded this problem as one of the most important items on the Agenda and he had listened with interest to the statements by the Minister of Finance and the Delegate of Brazil. He said that his Government would examine the problem with sympathy and understanding, but thought that the basic requirements of the Agreement should be maintained.

Mr. MARTINEZ (Cuba) was sympathetic towards the application by Brazil and supported its reference to a working party.

Mr. FERLESCH (Italy) said that the problems raised by the Brazilian application were complex and his delegation felt that they should be studied sympathetically with a view to finding a solution satisfactory to both Brazil and other contracting parties. Several aspects seemed to be of a legal nature and these should be studied thoroughly. He thought the problems of changes in the customs tariff and the currency auction system should be referred to a special working party.

Mr. PHILIP (France) also appreciated the urgency of the problem. To remedy the situation of a customs tariff which did not correspond to the needs of a country now engaged in the process of industrialization, Brazil had resorted to multiple exchange practices and for this reason his Government was prepared to study the problem sympathetically. He expressed the hope that the new tariff would not increase the cost of imports. He thought the proposition by the Government of Brazil that a country which considered its interests affected by the changes in the Brazilian tariff could withdraw concessions on other products undesirable as this would have repercussions on third parties. A series of precise negotiations could correct damage which would arise for particular countries on particular products. The application should be considered sympathetically with a thorough examination in the Working Party of details of the proposed measures.

Mr. POLLARD (United Kingdom) recognized the importance of the proposal but thought that complexities arose in the intrinsic nature of the problem and in relation to timing and to questions of procedure. He referred to the

statement of the Brazilian Minister of Finance and recognized that this was only one of a number of co-ordinated steps the Government of Brazil was proposing to take in the economic field. However, substantial issues were involved as the stability of tariff bindings was one of the most important bases of the support of trading countries for the GATT. He indicated that his Government would seek elucidation and assurances on several points when the working party was examining the issues in detail. The first of these points was the question of customs valuation. Secondly, the new rates of duty were very high and over a wide range of manufactured goods 80 to 125 per cent seemed to be the standard. If a tariff wall of this height were to become a permanent feature, trade between Brazil and other contracting parties would be affected. Any changes in bound rates of duty must be the subject of individual negotiation between Brazil and the contracting parties which were affected. Mr. Pollard posed the question as to whether Brazil intended to levy taxes on goods of their own manufacture, which would correspond in some degree to the proposed new import duties. Thirdly, it was assumed that if the new tariff was introduced the discriminatory internal taxes on a number of import goods would be removed. Finally, the Brazilian Government should make effective and immediate progress towards the removal of consular fees and invoices.

His Government was prepared to examine the problem with sympathy and hoped a generally acceptable solution could be found which did not undermine the General Agreement.

Mr. GUNDELICH (Denmark) said that his Government would consider the proposal sympathetically but thought caution should be exercised in the use of waiver procedures under Article XXV:5(a), particularly when the provisions of other Articles were applicable, as in this case Article XXVIII. His Government was concerned with the replacement of one type of restriction by another. He assumed a working party would be set up to study the problem.

Mr. SWAMINATHAN (India) stated that the problems raised were complex and important and merited detailed consideration by a working party.

Mr. HAGEN (Sweden) assured the representative of Brazil that his Government would show great understanding and consideration. He associated himself with the remarks of the representative of Denmark on the desirability to seek an alternative solution to a waiver under the provisions of Article XXV and hoped the working party would examine this question seriously.

Mr. FORTHOMME (Belgium) said his delegation was aware of the exceptional difficulties faced by the Brazilian Government and hoped the working party set up to deal with the problem would study it comprehensively and reach a solution which took account of the requirements of GATT and the interest of each contracting party concerned. His delegation would submit further comments and recommendations at later discussions.

Mr. ISMELI (Indonesia) stated that he had followed the Brazilian statements with interest and sympathy in the proposal as a measure of development and hoped the working party could arrive at a solution to the problem.

Sir Claude CORRI (Ceylon) said that the proposal was of vital importance to Brazil's development programme and therefore it was the duty of the CONTRACTING PARTIES to consider the problem sympathetically. He supported its reference to a working party.

Mr. SIMONET (Austria) said that the proposed tariff increases and the adoption of a new nomenclature created many problems. He thought that at first sight the proposed tariff level appeared very high and that it would be necessary for the problem to be studied by experts.

Mr. BARBOZA-CARNEIRO (Brazil) expressed his thanks to all the representatives who had spoken and said their remarks furnished proof of their comprehension of the seriousness of the situation which had led his Government to make this application. He particularly appreciated the general sympathy shown towards the proposal. The anxieties expressed by some delegates were understandable and the Brazilian delegation would do its utmost to reassure them and to give any explanations in the working party. At the working party discussions his delegation would also endeavour to explain the importance of securing a waiver under Article XXV as such procedures would enable the early implementation of the new tariff. He reaffirmed that the now draft tariff contained no discriminatory measures and that the Brazilian Government would ensure that the new situation would be in conformity with its commitments under GATT.

The CHAIRMAN said that there had been unanimous agreement to establish a working party to study the proposal.

It was agreed to establish a working party with the following terms of reference and membership:

Terms of reference

To consider, in the light of the discussion in the plenary meeting, any questions arising in connexion with the new Brazilian tariff which may be of concern to contracting parties or which affect Brazil's obligations under the General Agreement, and to submit recommendations thereon to the CONTRACTING PARTIES.

Chairman

Mr. P... Forthomme (Belgium)

Membership

Brazil	Italy
Canada	Japan
Chile	Pakistan
Cuba	Sweden
France	United Kingdom
Germany, Federal	United States
Republic of	

5. Brazilian Internal Taxes

The CHAIRMAN recalled that the Resolution of 30 November 1955 requested the Government of Brazil to report not later than the Eleventh Session on action taken to remove the increased element of discrimination against foreign products in certain internal taxes.

It was agreed that the Working Party on the Brazilian Tariff and Schedule be asked to examine this question.

The meeting adjourned at 12.45 p.m.