

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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CONTRACTING PARTIES  
Eleventh Session

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## SUMMARY RECORD OF THE NINTH MEETING

held at the Palais des Nations, Geneva, on  
Friday, 26 October 1956, at 10.45 a.m.

Chairman: Mr. F. Garcia OLDINI (Chile)  
Sir Claude COREA (Ceylon) (upon election)

- Subjects discussed:
1. Rules of procedure, amendment
  2. Election of officers
  3. Statement by the Deputy Minister for Foreign Trade of Czechoslovakia
  4. Italian waiver - Libya (L/513, L/516 and L/563)
  5. Accession of Switzerland (L/529)
  6. United States waiver - Agricultural Adjustment Act (L/540)

### 1. Amendment of the Rules of Procedure

The CHAIRMAN reported a proposal by the Heads of Delegations to amend the rules of procedure for the sessions of the CONTRACTING PARTIES. The following was the new text proposed for Rules 10, 11 and 12:

#### Rule 10

A Chairman and two Vice-Chairmen shall, not later than the seventh day following the opening date of each regular session, be elected from among the representatives. They shall hold office until their successors in office are elected.

#### Rule 11

If the Chairman is absent from any meeting or part thereof, one of the Vice-Chairmen shall preside. If no Vice-Chairman is available, the CONTRACTING PARTIES shall elect a Chairman for that meeting or that part of the meeting.

Rule 12

If the Chairman ceases to represent a contracting party, or is so incapacitated that he can no longer hold office, the CONTRACTING PARTIES shall designate one of the Vice-Chairmen to perform the functions of the Chairman pending election of a new Chairman in accordance with rule 10.

The CONTRACTING PARTIES agreed to the proposed amendments to the rules.

2. Election of Officers

The CHAIRMAN, referring to the expiry of the terms of office of the present Chairman and two Vice-Chairmen, said that the Heads of Delegations had unanimously agreed to nominate Sir Claude Corea as Chairman and Mr. A. Vargas Gomez and Mr. F.A. Forthomme as Vice-Chairmen.

There being no other nominations, Sir Claude Corea was declared unanimously elected as Chairman and Mr. Andrés VARGAS GOMEZ and Mr. Pierre A. FORTHOMME as Vice-Chairmen.

Mr. OLDINI (Chile) congratulated the new officers upon their election which honoured both themselves and their countries and was a mark of gratitude for their effective contribution to the activities of the CONTRACTING PARTIES.

Sir Claude CORREA (Ceylon), on taking the Chair, said that though he was deeply conscious of the high honour conferred upon him by the CONTRACTING PARTIES the election also represented an honour to his country and a source of satisfaction to other countries in the process of economic development. He paid tribute to the past services of Mr. Wilgress as Chairman and assured the CONTRACTING PARTIES that he would endeavour to maintain the high tradition set by him, though he appreciated the difficulties of measuring up to the stature of Mr. Wilgress. He congratulated Mr. Forthomme and Mr. Vargas Gomez upon their election as Vice-Chairmen and looked forward to their support and co-operation as well as that of the Executive Secretary and the secretariat. While it was sometimes difficult to reconcile contradictions and differences which arose among the CONTRACTING PARTIES the ultimate objectives were the same whatever the differences in approach and should be pursued with great faith and determination with an understanding of each other's difficulties and a readiness to compromise. It was in the expectation of a unified effort towards the achievement of these objectives that he had accepted this high responsibility.

At a later stage in the meeting, Mr. NAUDE (Union of South Africa) expressed appreciation, in which he was sure all contracting parties would wish to join, of the services of the retiring Vice-Chairmen, Messrs. Garcia Oldini and Koht.

### 3. Statement by the Deputy Minister of Foreign Trade of Czechoslovakia

The CHAIRMAN welcomed the Deputy Minister of Foreign Trade of Czechoslovakia and invited him to address the CONTRACTING PARTIES.

Mr. Robert SCHMELZ said that the Chairman of the CONTRACTING PARTIES, in his opening speech to the present session, had rightly drawn attention to the relative decline in the trade of the under-developed countries and had asked governments to reflect upon this problem; in his view this should be the leitmotiv for the work of the CONTRACTING PARTIES. Then there was also the problem of fluctuating prices for basic commodities, and in this connexion the Secretary-General of the United Nations, at the XXIInd Session of the Economic and Social Council, had said that a change of 5 per cent in the average prices of exports from under-developed countries was approximately equal to the total annual contribution of private and governmental capital and grants to these countries. The expansion of the trade of under-developed countries deserved primary attention. In the period from January 1955 to the end of June 1956, the position of countries exporting primary commodities had deteriorated on account of adverse changes in the prices of their imports and exports. This situation was further aggravated by the disposal of agricultural surpluses which were threatening the trade of **other countries** exporting agricultural products. This question was being examined by the United Nations, the Economic and Social Council and other bodies; the CONTRACTING PARTIES should pay attention to what was being done outside GATT and contribute to a co-ordination of these activities.

For more than thirty years a new feature, the so-called compartmentalization of world trade, had emerged. The world market had been divided into several more or less exclusive areas and, although trade within these areas had expanded, the commercial relations between them had diminished substantially. In 1953 about three-fifths of world trade was carried out within the various currency areas. This was not a healthy development. This compartmentalization, which always resulted in varying degrees of discrimination, deserved special attention in GATT's next study on international trade, and should be examined in relation to the objectives and essential provisions of the Agreement.

Czechoslovakia was endeavouring to expand its trade relations with all the countries of the world. In 1955 the volume of Czechoslovakia's foreign trade amounted to more than Kčs 16 billion, representing an increase of 102 per cent over 1948 and an increase of one-quarter over 1938. Czechoslovakia had made great efforts to develop its trade with the under-developed countries. While in 1953 their share accounted for only 6.7 per cent of Czechoslovakia's foreign trade, by 1955 it had doubled.

The problems which GATT was facing raised the question whether it was sufficiently universal in nature and whether it could be hoped that the OTC would be so. Apparently this question could not be answered in the affirmative. GATT was maintaining its character of a "club" and was

sometimes paying little attention to the activities of other international bodies. In several forums important questions, such as international trade in general, plans for the establishment of an international trade organization and trade in primary commodities, were considered in great detail. A plan for an agreement on economic co-operation for the whole of Europe had been presented to the Economic Commission for Europe and draft texts had been submitted for approval to European governments. The Czechoslovak delegation, therefore, considered that the GATT secretariat should prepare for the CONTRACTING PARTIES a summary of these negotiations, discussions, resolutions and documents; this was the only way to bring GATT's activities closer to what was happening elsewhere.

The CHAIRMAN, on behalf of the CONTRACTING PARTIES, thanked the Deputy Minister of Foreign Trade for his observations.

The full text of Mr. Schmelz's statement is reproduced in Press Release GATT/316.

4. Italian special Customs Treatment for certain Libyan Products (L/513, L/516 and L/563)

The CHAIRMAN recalled that at the Tenth Session the CONTRACTING PARTIES had extended for a further three years the waiver to the Government of Italy authorizing special customs treatment for certain goods imported from Libya. The waiver required the Government of Italy to submit an annual report "on the development of trade under the special treatment" and required the Government of Libya to submit a report "on the economic progress made and expected which would permit Libya to participate in international trade on a normal competitive basis". He invited the representatives of Italy and Libya to present their reports.

Mr. FERLESCH (Italy), in presenting the Fourth Annual Report under the waiver, said that in 1955 and during the first part of 1956, the Italian/Libyan trade had continued to expand satisfactorily. In accordance with the recommendation of the Tenth Session the report contained detailed statistics on all imports into Italy of the products for which Libya received preferential treatment. This data showed that imports from Libya were only a small percentage of the total and could not therefore cause a serious diversion of normal trade channels.

Mr. MUSA (Observer for Libya) thanked the CONTRACTING PARTIES for their Decision of 25 November 1955 which extended the waiver to 31 December 1958 and, on behalf of his Government, submitted the Fourth Annual Report on the operation of the waiver. It was unfortunate that exports of certain goods covered by the waiver had not shown any substantial increase but this was due to seasonal movements and at the end of the current year it was expected there would be increased exports of certain goods normally exported in winter. He observed that the extension of the waiver, together with the removal of Libyan export duties in the latter part of 1955, had actually

resulted in substantial increases in the total value of exports to countries other than Italy. His Government was encouraged by the progress already achieved despite adverse climatic conditions and severe competition from more advanced exporting countries and was taking extensive measures to improve methods of production and marketing in an endeavour to raise the competitiveness of agricultural products. He expressed his gratitude to the Italian Government for their continued encouragement of Libya's export trade and thanked the CONTRACTING PARTIES for the sympathetic consideration they had given.

The CHAIRMAN drew attention to the note by secretariat (L/563) suggesting that analysis of Libya's progress towards achieving the objectives of the waiver would be facilitated if the statistics accompanying the reports were prepared in a different form.

Mr. FERLESCH (Italy) said his delegation would be ready to consider suggestions concerning the statistics of trade.

The CONTRACTING PARTIES took note of the Fourth Annual Reports of the Italian and Libyan Governments and instructed the secretariat to discuss with the representatives of Italy and Libya the presentation of trade data in future reports.

#### 5. Accession of Switzerland (L/529)

The CHAIRMAN said that contracting parties had been informed in document L/529 of the communication received from the Government of Switzerland advising that the Swiss Federal Council would welcome a decision by the CONTRACTING PARTIES enabling its representatives to initiate procedures, in accordance with Article XXXIII, for the accession of Switzerland to the General Agreement. He invited the representative of the Swiss Government to present his Government's request.

Mr. HALI (Observer for Switzerland) referred to the informal consultations between the Executive Secretary and the Swiss Commerce Division and said that as Switzerland depended to a large extent on foreign trade, it supported the aims of the General Agreement. It had always regretted its inability to accede due, in particular, to the obligations of the Agreement relating to quantitative restrictions which would make it impossible to continue to protect Swiss agriculture as required by law, and parliament was unlikely to decide in favour of accession if this entailed eliminating the quantitative restrictions involved within a limited time. Another difficulty was the control of imports of lorries for military reasons, though this was the only restriction on an industrial product. Further, his country was not a member of the International Monetary Fund and would prefer to abstain from concluding a special exchange agreement under the terms of Article XV. Another difficulty in the way of accession had been the need for a tariff revision, which, however, he believed would shortly be completed and Switzerland would then be ready to initiate tariff negotiations with the

CONTRACTING PARTIES; this might be in the second half of 1957 or in the first six months of 1958. Instead of accepting the provisions of Articles XI to XIV, his Government might give the CONTRACTING PARTIES an undertaking to act towards them in accordance with the OEEC liberalization measures. He would be glad if terms for provisional accession could be agreed on, and suggested that during the period of provisional association a final solution to the difficulties could be sought.

The full text of Mr. Halm's statement is reproduced in Press Release GATT/314.

The EXECUTIVE SECRETARY said that a report on the informal discussions between the Swiss authorities and the secretariat, before presentation of the formal application, had been circulated in unofficial form to contracting parties. If it were decided to discuss the matter in a working party, he would be glad to submit a formal document. There had been a number of problems of diverse character preventing Swiss accession. The tariff revision no longer presented an obstacle, and Switzerland hoped to enter into negotiations with contracting parties in accordance with Article XXXIII in the not too distant future at a time to be agreed. The problem of removing the difficulties in the way of full accession had been discussed, resulting in a suggested procedure which contemplated tariff negotiations taking place at some time in 1957 and being completed in the course of that year. A procedure similar to that used for Japan could be followed. Immediately after conclusion of the negotiations a declaration could be drawn up to be signed by Switzerland and the negotiating contracting parties to the effect that the relations between them would be governed by the Agreement, reservations being made by Switzerland with regard to the provisions of Articles XI and XV, and it being open to other contracting parties to make such reservations as they might consider necessary. The declaration could run for a fixed period, and in the interim discussions could be held to remove the difficulties in the way of accession in the terms of Article XXXIII. This interim period would then be followed by a decision of the CONTRACTING PARTIES accepting Switzerland as a full contracting party.

Mr. STANDENAT (Austria) said that his Government had always been in favour of Swiss participation in the GATT in view of her large share in world trade. There were, however, certain problems concerning procedure, the tariff negotiations, the signing of an exchange agreement and the protection afforded by Switzerland to agricultural and certain industrial products. He hoped that with goodwill it would be possible to find a solution acceptable both to the CONTRACTING PARTIES and Switzerland, and his Government would fully support this endeavour. He thought that the procedures proposed by the Executive Secretary would provide a good basis for discussions in the working party.

Mr. JOCKEL (Australia) said that his Government would be glad to see Switzerland as a full contracting party, but there were some fundamental questions requiring solution. The main difficulty related to bringing

Swiss agricultural policy into line with the Agreement. If the modification of GATT rules were contemplated, his Government would have more serious reservations. Australia was sympathetic towards the Swiss request, but the integrity of the Agreement should be maintained, particularly as regards food and raw materials. The Swiss authorities should be given the opportunity to give answers on these points in the working party.

Mr. GUNDELACH (Denmark) said that in view of Switzerland's extensive trade relations and liberal trade policies, his Government was glad to see consideration being given to this item. The problems involved would certainly be considered by a working party with sympathy. He expressed the hope that a solution satisfactory to Switzerland, which also safeguarded the principles of the Agreement, would be found. His Government, however, had serious hesitations on the adoption of a procedure permitting Switzerland with her strong balance-of-payments position to accede to the GATT as an associate or provisional member on special terms, meaning that she was unable to fulfil certain basic obligations of the Agreement. If accession were agreed to, a dangerous precedent might be established. The main difficulty was the question of maintaining agricultural legislation contrary to the principles of Article XI and the Danish position on this question was well known. Denmark did not feel able to accept waivers which went beyond the conditions and time-limits of the "hard core" waiver procedure. His Government was unable to agree to granting exemptions to an acceding country of a wider scope than existing contracting parties, in a similar position, might expect to obtain. It would, however, be prepared to take part in discussions of the special problems of Swiss agricultural legislation in the light of the "hard core" waiver.

Mr. HAGEN (Sweden) thought that it would be an advantage for the GATT if Switzerland became a member. His Government was prepared to enter into tariff negotiations with that country but considered that, in view of the difficulties concerning Article XI, information on Switzerland's long term agricultural policy should be furnished and carefully examined.

Mr. PHILIP (France), welcoming the Swiss request, recalled the discussions with the representatives of Switzerland at the Havana Conference. Many of the difficulties which existed at that time had disappeared, whilst others had changed in character. He thought that if the procedure proposed by the Executive Secretary were accepted, it would be possible to agree in a working party to the provisional membership of Switzerland, and afterwards resolve the remaining problems, particularly that of agriculture.

Mr. PARBONI (Italy) expressed satisfaction at the request for accession in view of the good relations existing between Switzerland and Italy. He was sure that a solution could be found for the important problems in view of Switzerland's liberal commercial policy. His government agreed with the procedures proposed by the Executive Secretary, and would be glad to take part in the discussions in the working party.

Mr. SWAMINATHAN (India), supporting the Swiss request for provisional membership with a view to later full accession, thought that Switzerland with her liberal tradition would bring strength to the GATT. He recognized that there were difficulties, but hoped that by the exercise of goodwill and whilst paying due regard to the observance of GATT rules on the part of Switzerland a satisfactory solution would be found.

Mr. CORSE (United States) said that his Government was in sympathy with the Swiss request and that the procedure suggested by the Executive Secretary would be a useful basis for consultations in a working party. Concerning the tariff negotiations, he would wish to draw the attention of contracting parties to the fact that, under legislation now in force, his Government had been given authority to reduce tariff rates by 15 per cent in three annual stages, beginning 30 June 1956. This authority had been largely exhausted in the tariff negotiations held earlier this year. At the present time his Government had, under these provisions, authority to reduce this year only those rates by 10 per cent or less with respect to which the power was not exhausted by the reductions made on 30 June 1956. After 30 June 1957, his Government would have authority to reduce rates by only 5 per cent, or less in the case of those rates not previously reduced under authority of the same legislation. In these circumstances, his Government did not consider that it could, for the present, make plans to enter into tariff negotiations.

Mr. FOLLARD (United Kingdom), referring to the stability of the Swiss economy and her liberal trade policies, was doubtful whether Swiss accession would be worth the cost if it involved the granting of another agricultural waiver. He would not wish, however, to say anything which might prejudice the work of the working party.

Mr. PRENDERGAST (New Zealand) said that his Government considered this one of the most important items on the agenda as it had always thought that Switzerland should be a member of the GATT in view of the importance of her trade. The question should be referred to a working party so that the various problems could be studied in detail.

Mr. FORTHOMBE (Belgium) welcomed the possibility of Swiss accession but stressed that the equality of status of contracting parties should be preserved.

Mr. KLEIN (Federal Republic of Germany) sympathized with the request of Switzerland which was an important trading nation. The trade of all contracting parties with that country had expanded and they had all benefited from the sound, liberal system of Swiss commercial and financial organizations. He was aware that some questions of principle were involved but was hopeful that these would be resolved in a satisfactory manner, possibly by the granting of a waiver or in some other way. Detailed examination of the question should be referred to a working party.

Baron BENTINCK (Netherlands), associating himself with previous speakers, expressed his satisfaction that Switzerland was taking steps to become a contracting party. He was convinced that the full understanding between that country and his would continue to assist in the solution of problems and welcomed the establishment of a working party to study the terms of provisional accession on the lines proposed by the Executive Secretary. There was, however, a danger that a provisional arrangement might become permanent. The interim period should be fixed at  $1\frac{1}{2}$  to 2 years, during which time it should be possible to find a solution in accordance with the provisions of the Agreement. At the end of the period the position could be reviewed by the CONTRACTING PARTIES. This procedure might involve certain sacrifices but he hoped that a solution for the full accession of Switzerland, which represented an important share of international trade, would be found.

Mr. NAUDE (Union of South Africa) said that the Swiss decision to become a contracting party was welcome, particularly at a time when many countries were reappraising their position with regard to the future of the Agreement. There were, however, serious problems which would have to be studied carefully. He hoped that a solution would be found and considered that the G-TT would benefit from Swiss membership.

Mr. HOCKIN (Canada) welcomed the Swiss decision as it was desirable that the greatest possible number of countries who adhered to multilateral trading policies should become contracting parties. It must, however, be realized that the Agreement imposed obligations for acceding countries. He agreed that the position of Swiss agriculture presented a serious problem but his Government was prepared to co-operate in finding a solution which did not impair the basic principles of the Agreement.

Mr. BARBOZA-CARNEIRO (Brazil) said that his Government was in favour of Switzerland being accepted as a contracting party as Brazil had important trading relations with that country. It understood the difficulties involved and would assist as far as possible in resolving them.

Mr. OSMAN ALI (Pakistan) welcomed the possibility of Switzerland acceding to the GATT and, whilst recognizing the difficulties involved, did not think that they were insuperable. Too great a strain should not be put on the principles of the Agreement, but he was confident that if full information were supplied in the working party a satisfactory solution would be found.

Mr. CARIM (Turkey) welcomed the desire of Switzerland to accede to the Agreement and hoped that the problems involved would be solved as soon as possible, enabling Switzerland to become a full contracting party.

Mr. TIKANVAARA (Finland) associated himself with the remarks of previous speakers in favour of Swiss participation in the GATT.

Mr. CAFTANZOGLU (Greece) expressed the satisfaction of his Government at the Swiss application and agreed with the proposed procedure. He hoped that the problem, particularly that of agriculture, could be solved in a spirit of mutual co-operation, without damage to the basic principles of the Agreement.

The CHAIRMAN said that the discussion had shown a general welcome and support for the Swiss application for provisional membership. The application presented various difficult problems requiring a solution which preserved the basic principles of the Agreement. It also appeared to be the general wish that the question be referred to a working party.

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

Terms of Reference:

To examine, in consultation with the representatives of the Government of Switzerland, the request of the Swiss Government for the initiation of procedures with a view to accession to the General Agreement under the provisions of Article XXXIII.

Membership:

Chairman: Mr. T. Swaminathan (India)

Australia	France	New Zealand
Austria	Germany, Federal	Norway
Belgium	Republic of	Pakistan
Canada	Greece	United Kingdom
Denmark	Italy	United States
	Japan	

6. United States Waiver/Agricultural Adjustment Act (L/540)

The CHAIRMAN recalled that the Government of the United States was required to submit an annual report under the Decision of 5 March 1955 granting a waiver in connexion with import restrictions imposed under Section 22 of the Agricultural Adjustment Act. These annual reports were required to show action taken under the waiver and the action was to be reviewed by the CONTRACTING PARTIES. At this Session, the United States was presenting its second annual report (L/540).

Mr. CORSE (United States) said that at the time the waiver was granted import controls were in effect on nine commodity groups; since then they had been permitted to expire on barley, oats and tree nuts. The controls in effect during 1956-57 were the same as those of 1955-56 except for

modifications in two instances. Subsequent to the submission of the report to the CONTRACTING PARTIES, however, the President had directed the Tariff Commission to undertake an investigation of figs and dates under the provisions of Section 22; decisions as to whether restrictions would be placed on imports of these products would be taken by the President, based on the Tariff Commission's findings and recommendations.

Mr. Corse said the report set forth all relevant information on the restrictions imposed under Section 22 of the Agricultural Adjustment Act, the reasons why they continued to be applied and the steps taken with a view to a solution of the problem of surpluses; it covered all the Section 22 restrictions and not merely those which might be regarded as inconsistent with the Agreement in the absence of the waiver. In accordance with suggestions made at the Tenth Session, the section on dairy products included information on trends of production and consumption in the United States, purchases and stocks of the Commodity Credit Corporation, as well as information on changes in the agricultural pattern which might be relevant to the use of Section 22. The report described the positive steps taken by the United States Government towards reducing surpluses of certain agricultural commodities such as action taken to reduce new crop supplies and to increase consumption; special attention was given to the recently instituted Soil Bank programme. Although the report disclosed a marked improvement in the Government stock position in dairy products, his Government was still purchasing relatively large quantities of butter, Cheddar cheese and non-fat dry milk solids under the current price support programme and it would be necessary, therefore, to continue the present level of restrictions for a further period. The United States Government assured the CONTRACTING PARTIES, however, that it would continue to keep Section 22 restrictions under review and that there was no intention to continue them any longer than necessary to prevent interference with the domestic programmes to which they were related.

Mr. GUNDELACH (Denmark) thanked the United States delegation for the full report it had submitted. He had noted in the report the efforts made by the United States Government to solve some of the basic problems and to avoid serious disturbances in international trade, but, as only two small alterations had been made in the restrictions, he felt he must conclude that the process of elimination had reached a standstill. United States agricultural policy was of great concern to his Government in that it prevented Denmark from enjoying some of the advantages and rights of the General Agreement and constituted a permanent threat to the normal marketing of Denmark's agricultural produce. His Government had observed with satisfaction the downward trend in stocks of dairy products, but, in spite of this, there had been no increase in the very small import quotas for dairy products. He drew attention to the fact that quotas on cheese had been unchanged for four years. He thought that increased importation by the United States of those relatively small quantities which could be supplied by Denmark and other countries in a similar position could not have harmful effects on the United States economy, whereas such an increase would be of great importance

to his country. The progress made in the elimination of stocks of butter had partly been a result of considerable increases in commercial export sales which had seriously affected Denmark's normal exports; it was hoped that the United States would intensify its efforts to increase the internal consumption of butter so as to avoid this effect. On the other hand, the increase in producer prices created a further incentive to increase production, and he felt that such measures should not have been introduced before it was possible to relax the **quantitative** restrictions. He suggested the setting up of a working party so that some questions could be studied in greater detail.

Mr. HOCKIN (Canada) recalled that his Government had always viewed the waiver with serious concern as it relieved the United States of some of the most important obligations under the General Agreement and impaired the value of many tariff concessions that had been negotiated. The waiver had had, and would continue to have, damaging effects on the General Agreement and on international trade. There was a heavy responsibility on the United States, therefore, to keep the restrictions to a minimum and to take appropriate steps towards their early removal. He commended the United States delegation on their report but regretted it did not show any progress in the reduction of the restrictions. Though he had observed the developments in agricultural policy with interest, particularly the Soil Bank programme, there was no clear indication of the effects these measures would have on the supply of agricultural products in the United States. He **supported** the appointment of a working party to review this and other aspects of the report.

The CONTRACTING PARTIES agreed to adjourn the discussion.

The meeting adjourned at 1 p.m.