

GENERAL AGREEMENT ON TARIFFS AND TRADE

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CONTRACTING PARTIES
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SUMMARY RECORD OF THE TWELFTH MEETING

Held at the Palais des Nations, Geneva,
Monday, 5 November 1956 at 2.30 p.m.

Chairman: Mr. VARGAS GOMEZ (Cuba)

Subjects discussed:

1. Affiliation of ICITO to United Nations Pension Fund
2. Disposal of Surpluses
3. France-Tunisia Customs Union
4. Greek Increase in Bound Duties
5. Rhodesia and Nyasaland Tariff
6. French Stamp Tax

1. Affiliation of ICITO to United Nations Pension Fund (Interim Report of Working Party on Budget) (L/576)

The CHAIRMAN said that in an interim report (L/576), the Working Party on Budget had submitted its conclusions on the affiliation of the ICITO staff to the United Nations Joint Staff Pension Fund. The Working Party recommended that contracting parties should give instructions to their representatives at the next General Assembly of the United Nations. A memorandum (Spec/198/56), prepared by the Working Party to assist representatives at the Assembly in dealing with this question, had been distributed to each delegation.

Mr. MACHADO (Cuba), Chairman of the Working Party, introduced the interim report. The proposal set out in this report was intended to overcome the difficulty that had prevented the staff from joining the United Nations Joint Staff Pension Fund. The Working Party proposed that the contracting parties undertake concerted action to obtain from the General Assembly of the United Nations a clear understanding that the ICITO staff members transferred to a successive organization would be allowed to remain participants in the Fund until such time as that organization became a member of the Fund. Canada and India had accepted the task of raising this question in the Fifth Committee of the United Nations' General Assembly; and it was hoped that all **contracting parties** members of United Nations would cooperate. The CONTRACTING PARTIES had a moral obligation to the members of the staff and should immediately request their governments to instruct their representatives at the General Assembly to take appropriate action.

The CONTRACTING PARTIES approved the interim report and the recommendation contained therein.

The CHAIRMAN emphasized that the General Assembly would be meeting soon and that it was therefore necessary to take immediate action.

2. Disposal of Surpluses (L/564, L/567)

The CHAIRMAN said that, according to the Resolution of 4 March 1955, any contracting party making arrangements for the disposal of surplus agricultural products should undertake consultations with the principal suppliers with a view to achieving orderly liquidation and to avoid prejudice to the interests of others. Summing up the discussion on this item at the Tenth Session, the Chairman had said that this problem of surpluses was a question of international collaboration and was one of the most serious confronting world trade. It had been emphasized during the discussion that this question required the continuing attention of the CONTRACTING PARTIES and it had therefore been agreed to include it in the agenda for the present session. The secretariat had provided a brief résumé of recent action by other international organizations (L/564) and had circulated a statement by the Food and Agriculture Organization on its activities in this field (L/567).

Mr. CORSE (United States) reporting on the results of operations under the United States agricultural disposal programmes in the fiscal year ended 30 June 1956, said that in that period, as in previous ones, his country had sought to operate without disrupting the markets of other exporting nations. During fiscal year 1956 some 38 agreements (and supplements to agreements) had been concluded with 25 countries under Title I of Public Law 480 (Sales for Local Currency). Those agreements had a combined value of about \$680 million at export prices, including a portion of the transportation costs. The principal commodities included: approximately 104 million bushels of wheat and flour, 33 million bushels of feed grains, 8 million hundredweight of rice, 950 thousand bales of cotton, 842 million pounds of fats and oils, 65 million pounds of tobacco and 58 million pounds of dairy products. Other commodities involved included fruits and vegetables, meat products, cotton linters and seeds. Since the end of fiscal year 1956 additional Title I sales Agreements had been concluded, the most notable being one with India on 29 August 1956, involving the sales for rupees of about \$360 million worth of agricultural surpluses over a period of three years. Agreements had also been concluded with Pakistan, the Republic of China, Greece, Italy, the Netherlands, Spain and Israel.

The United States had also made available \$110 million worth of food, based on the cost to the Government, for urgent disaster relief requirements in 16 countries during fiscal year 1956 under Title II of Public Law 480. The major effort had occurred in Europe where some 211,000 tons of food valued at \$68 million had been distributed in eight countries. The programme

of donating government-owned surplus farm commodities under Title III of Public Law 480 to private voluntary relief agencies for free distribution to needy peoples overseas had resulted in the free distribution during fiscal year 1956 of 997 thousand tons of food valued at \$255 million. The programme under Title III of Public Law 480 of bartering government-owned agricultural commodities for foreign produced materials for stockpiling and current use by government agencies had resulted in the negotiation of contracts valued at some \$315 million by the Commodity Credit Corporation during fiscal year 1956. The initiative for these transactions lay with the private American trader. Exports under this head in fiscal year 1956 were valued at \$298 million, consisting principally of corn and other coarse grains and wheat.

Under Section 402 of the Mutual Security Act, as amended by Public Law 665 the Congress had directed that a minimum of \$300 million of the economic aid authorized for fiscal year 1956 should be given in the form of surplus agricultural commodities. The United States desired to continue to keep the quantities of Section 402 commodities shipped to aid countries within the level of normal commercial United States exports of those commodities to the countries involved. However, the flow of aid had shifted greatly in the direction of the underdeveloped countries where normal United States commercial marketings of surplus agricultural commodities were relatively lower than in the industrial countries. In order to avoid decreasing aid under the Mutual Security Programme, because of inability to ship agricultural goods under Section 402, a system of triangular transaction had been devised. Some \$48 million worth of surplus agricultural commodities had been sold in industrial countries, mostly in Western Europe. The resulting local currency funds had been used to purchase industrial goods which had been shipped to the underdeveloped countries for which aid had been programmed. Both sales and purchases were carried out at world market prices. In fact \$350 million worth of aid had eventually been programmed in the form of American farm surpluses for the fiscal year 1956.

Outlining the changes in United States surplus disposal legislation since the Tenth Session, Mr. Corse said that the authority under Title I of Public Law 480 had been supplemented by an additional \$1.5 billion in August 1956 and that under Title II of Public Law 480 had been increased by \$200 million, whereas the Mutual Security Act of 1956 provided that in the fiscal year 1957 a minimum of \$250 million worth had to be made available in the form of surplus agricultural products, constituting a reduction of \$50 million on the figure for the previous year. He drew attention to the use being made of the proceeds from these programmes in the field of economic development and mutual defence and to the efforts of his Government to readjust domestic farm production to current market demands.

Concerning the consultations on shipments under Title I of Public Law 480, his Government was fully aware of the interests of other agricultural exporting countries and had sought, on the basis of general foreign policy objectives, to take reasonable precautions against disrupting world market prices or displacing the foreign marketings of other free world countries.

Invitations had been extended to Governments to submit directly to the United States Government any comments regarding special trade interests endangered by surplus disposal programmes. The resulting consultations had improved mutual understanding and had elicited helpful information on trade problems and particular areas of sensitivity which had exerted considerable influence on United States decisions and daily operations. His Government hoped to continue a maximum feasible consultations programme and would welcome comments by contracting parties.

Mr. JOCKEL (Australia), recalling the Australian statement on this subject at the Tenth Session and that of the Australian Minister for Trade in the Plenary Meeting of 22 October (SR.11/7), drew attention to the magnitude of the problem. Surplus disposal by the United States had increased from about \$340 million in 1954-55 to an estimated \$1,000 million in 1955-56. In 1954-55, 50 per cent of United States actual shipments of wheat had been accounted for by non-commercial shipments and in 1955-56 this proportion had increased to 60 per cent; the comparable percentages for cotton being 36 per cent and 80 per cent respectively. These figures threw into sharp relief Australia's continuing concern about the way in which its trade was being increasingly threatened by United States surplus disposals, the volume and variety of which had been confirmed by the United States representative.

In a number of disposal transactions of a new type the recipient country had been obliged, as a condition of the transaction, to undertake to purchase commercially prescribed minimum quantities of the commodity involved. This technique was probably the most effective way in many cases of safeguarding the interests of commercial suppliers and of ensuring a genuine increase in consumption. Indeed obligation to buy minimum quantities from traditional commercial suppliers might well be a standard condition in disposal transactions but the market for these "guaranteed commercial imports" should be completely open to all exporters and there should be no allocation to the country providing the surpluses on concessional terms, as this could distort the pattern of fair competitive trading.

The frequent changes or additions to the techniques employed by the United States Government in this field was bound to create apprehension in other export countries as to which of their export markets or commodities would next be affected. He therefore emphasized the importance of consultation and consideration of the legitimate interests of normal commercial traders. Though his Government would have preferred the inclusion in the Agreement of provisions relating to surplus disposals, Australia had contributed to the effective working of the consultation machinery under

the Resolution and had suggested ways of improving it at the Tenth Session. Since that time his Government had in some instances received adequate notification and its representations had influenced the final shape of the disposal transaction, but in many cases the notice had been too short to submit a fully considered statement, virtually ruling out the possibility that the terms of the transaction would be varied. Further there continued to be difficulty in obtaining sufficient details of a proposed transaction to enable constructive suggestions to be made and there had been occasions when Australia had only learned of transactions of interest to it when the arrangement had been concluded and publicly announced.

In general the consultation procedure had been found to be an inadequate safeguard though there had been some improvement. He was glad to note from the United States representative's statement that the Government of the United States attached value to consultations and was sure that if the spirit of the Resolution were observed, real progress could be made. The Australian Government had supported the movement of existing surplus into consumption when this could be done without adverse effects on international trade, but while recognizing that the United States had exercised a measure of restraint in its disposal operations, it considered that the protection of normal export trade interest required a substantial improvement in the procedures of consultation.

Mr. GUNDELACH (Denmark) said that last winter butter from surplus stocks had been exported to Western European countries, causing serious disturbances to the normal market for Danish butter. Denmark had abstained from voting on the Resolution as it did not contain sufficient assurances and this action had now been justified by events. Large surplus stocks continued to cause uncertainty in the markets for a number of farm products, constituting a permanent threat to the economy of the countries exporting those products. His Government still considered that the General Agreement should contain strict rules to regulate the liquidation of surplus stocks and supported the Australian views on the desirability of an effective consultation procedure. A lasting solution to the problems could be found only through a balanced price policy which should be directed at increasing consumption rather than decreasing production. Countries holding surpluses should primarily endeavour to find markets in countries where there were shortages of foodstuffs. The ideas and plans, especially concerning the creation of food reserves, referred to in document L/546 should provide for a possible solution to the surplus problems. He suggested that there should be a further review of this question at the Twelfth Session.

Mr. ISBISTER (Canada) was grateful for the comprehensive statement of the United States delegation.

As the dumping of surpluses or their disposal on concessional terms could damage normal trade and trade relations between countries, governments should accept commitments with respect to surplus disposal. Canada supported

the use of surplus goods for humanitarian reasons and had provided aid on various occasions. His Government had made clear to the United States Government its concern about the increasing number of countries whose markets were being affected by surplus disposals. With respect to wheat, of direct concern to Canada, he recognized the willingness of the United States to consult at all times, but his Government had noted with regret that its representations were having less effect upon the actual transactions in this field. In the view of his delegation, damage to normal trade was particularly likely to arise when the United States required a country purchasing a surplus on concessional terms to commit itself to purchase an additional quantity from the United States for dollars. This was a discriminatory practice preventing other exporters from competing and this question should be further studied by the United States delegation and Government.

Mr. Isbister said his remarks were intended to underline the great importance of ensuring that surplus disposal programmes did not damage the commercial interests of other contracting parties and that the consultation procedures established under GATT were made effective. A substantial failure to achieve the results envisaged in the Resolution could have significantly adverse effects and hamper progress towards the kind of trading system for which GATT stands. To the extent that the exports of other countries were adversely affected, their ability to maintain a high level of imports was impaired. Stability and orderly procedures in commercial markets, and the process of establishing dependable methods for the supply of requirements of essential foodstuffs and materials were of concern to all contracting parties. He did not see any useful scope for a working party at this stage, but considered that this item should be reviewed again at the Twelfth Session.

Baron BENTINCK (Kingdom of the Netherlands) said that a serious position was created when as a result of Government interference a surplus production of one or more commodities continued during a number of successive years and when the governments concerned initiated special programmes with a view to the exportation of their surpluses to other countries. Many international organizations were therefore engaged in . . . ; studying this problem. In the view of the Food and Agriculture Organization possibilities for additional consumption should be utilized or created and it was important that this rule be observed because it was the only way to avoid a disruption of normal international trade relations. Whilst recognizing that in the past this rule had been observed to a considerable extent his Government had noted that in recent months new methods of disposal had been used or old methods applied more aggressively. The resulting decline in his country's share in certain markets was due mainly to surplus products entering those markets from the United States. This development was of concern to his Government which hoped that the principle

of additional consumption would be observed as strictly as possible by all countries engaged in surplus transactions, whether exporters or importers.

Referring to the new methods introduced recently, he said the triangular transactions of the United States Government resulted in a wider variety of goods being involved and a greater number of countries being directly affected. His country was, for instance, only little interested in export trade in cotton but it had recently experienced a sharp decline in its exports of textiles to a certain market as a result of a triangular deal. Apart from the products more or less regularly in surplus production in the United States a great number of commodities were occasionally earmarked by the United States Government as surplus. The quantities in stock of these products were relatively small, but in some cases the whole stock was moved into one market at prices below domestic prices and sometimes even below the ruling market prices, resulting in damage to the interests of other exporting countries. He would urge the United States Government to exercise care in this regard.

The rule of additional consumption could best be observed if the countries principally interested in a certain disposal consulted each other in advance on possible effects on their trade relations and on the methods to be used.

One of the main objectives of the GATT was to promote a free and unhampered exchange of goods. Yet surplus disposal programmes not only provided for control and subsidization in the exporting country but also led importing countries to maintain their systems of import control and state trading.

Mr. PRENDERGAST (New Zealand), referring to the procedure of consultation under the Resolution, recalled that the statement of the United States representative on this item at the Tenth Session had shown that prior consultation was undertaken only in the case of disposals under Title I of Public Law 480 and that where disposals were made under Titles II and III of Public Law 480 and under Section 402 of the Mutual Security Act, consultation was afforded only after disposal action had been taken. The United States representative had intimated, however, that the system of consultation was at that time still in the process of evolution. It was the New Zealand view that the onus for making the consultations effective clearly rested on the country distributing the surpluses since other exporting countries likely to be affected had no prior warning of disposal transactions under consideration and would not derive much comfort from consulting about a fait accompli. An opportunity should be given to put forward representations in advance of the event.

During the past year New Zealand had seldom been consulted by the United States on surplus disposal transactions involving dairy products despite the fact that the United States had been stepping up its disposals of these products. Some of the transactions in butter, in particular, had resulted in the loss of sales of New Zealand butter in a number of countries, and had contributed to the decline in prices for butter in the United Kingdom, the main export market for that commodity. As one of the world's principal

exporters of butter New Zealand could reasonably expect to be consulted and dairy producers in his country were naturally alarmed about the present position. The Government, therefore, again appealed to the United States to provide the opportunity for effective prior consultation to enable the representations to be taken into account. New Zealand considered that rationalization of United States internal policies was the only answer to its surplus problem and that the possibility of disposing of surpluses within the producing country, by increasing domestic consumption, ought to be explored to the maximum degree before having recourse to disposals overseas.

Referring to the United States report on the agricultural waiver (L/54C), Mr. Prendergast said that the information given about the disposal of surplus dairy products in the 1955/56 marketing year showed that of the total disposals of Commodity Credit Corporation stocks, approximately 60 per cent of the butter and cheese and 70 per cent of the non-fat dried milk had gone to overseas consumers. The quantities involved were substantial and, in fact, the quantities of butter and cheddar cheese disposed of externally in the 1955-56 marketing year came near to the total value of New Zealand's total exports of these commodities in the calendar year 1955. In the case of non-fat dried milk, the total quantity of United States overseas disposals was five times greater than New Zealand's total exports of this commodity for the whole of last year. This situation was of concern to his country, though it naturally did not question donations of surplus foods for relief purposes, provided their distribution was properly controlled: there had been one or two disturbing instances in the last year suggesting that the control had not been completely effective.

Of even greater concern were sales of surplus products at concessional prices. In the report it was stated that sales for export had been made at competitive world market prices, which meant in effect that the goods had been offered at a price lower than that which the United States producer received for them, involving export subsidization by the United States Government. When the GATT was originally negotiated in 1947 New Zealand had hoped to expand her export trade in dairy products with the United States and other countries, but this had not materialized. The United States had introduced severe restrictions on imports of dairy products and exporters of these products in other countries had also to face competition in their other markets from surplus United States dairy products offered at subsidized prices.

Exporters of agricultural products were also concerned about sales for local currencies and triangular transactions, providing more advantageous terms than normal trading terms, meaning that surplus products purchased in this way displaced products which would probably have been procured from other exporting countries in the ordinary course of trade. Finally, he underlined that the conduct of international trade in the manner envisaged by GATT was threatened by the surpluses which had developed in some countries and by some of the measures taken to dispose of them.

Mr. POLLARD (United Kingdom) said that this problem was a symptom rather than a cause. As long as the price of a commodity was maintained at an unrealistically high level over-production and a surplus problem would result. Each contracting party ought, therefore, to give careful consideration to its internal policies in this regard, though he recognized that all governments were under pressure against any measures to reduce production. World consumption was, it was to be hoped, gradually expanding, but large surpluses of various commodities overhanging the market engendered a feeling of insecurity among all producing nations. He paid tribute to the goodwill, ingenuity and flexibility with which the Government of the United States had sought to reduce these surpluses.

Regarding the undertaking to consult with countries affected, the flexibility of United States techniques had made it difficult for them to give full satisfaction to the countries concerned but he hoped this position would be improved. Present United States agricultural policy necessarily generated surpluses, requiring action by the United States contrary to the Agreement. His Government had noted the increasing use of export subsidies and the recently applied subsidy to the export of manufactured cotton goods had been of serious concern, particularly in relation to the provisions of the revised Agreement; this question would need careful examination in due time. He would impress on the United States Government the need to improve methods of consultation, to bear in mind the interests of all contracting parties and also to reconsider its present agricultural policies in order to remove the persistent conflict with the aims and objectives of the Agreement.

Mr. NAUDE (Union of South Africa) shared the concern of the Australian and other representatives on the surplus disposals effected by the United States.

Mr. MATHUR (India) recalled the view expressed by his delegation at the Tenth Session that a solution should be sought not by restricting production but by increasing effective demand through the acceleration of economic development. Referring to the surplus disposal agreement between the United States and India, mentioned by the United States representative, he emphasized that the purchases under it were intended to be additional to India's normal imports of food grains and other products and were calculated not to affect the ordinary channels of trade in the commodities involved. It was intended to use these purchases to accumulate stocks with a view to curbing any inflationary pressures which might arise in the course of the second Five Year Plan. The provisions of this agreement, which had been referred to by the Food and Agriculture Organization in its statement (I/567), were in conformity with the Indian view that surplus disposal policy should be directed at increasing consumption and at promoting the economic well-being of the under-developed countries, without disturbing the trade of other exporters of agricultural commodities. His delegation agreed that surplus disposals should only be effected in accordance with a proper procedure by notification and consultation which took into account all the interests concerned. There was,

however, a danger in laying down a rigid procedure as this might lead to procedural delays. Consultations should be held, not only with producers and consumers of primary commodities, but also with countries affected indirectly as processors of primary products for export.

Mr. MACHADO (Brazil) thought that the problem should be approached more realistically and questioned whether the GATT was really competent to deal with it. He noted with concern that contracting parties continued to devote their attention to the effects of the problem rather than to its causes and suggested that the Intersessional Committee should be invited to examine the matter. In the revision of the Agreement, more attention should have been given to the problem, as experience had shown that unless it was dealt with by an international trade organization all efforts at co-operation would fail.

Mr. JOCKEL (Australia) suggested that, while he did not expect the United States delegation to reply to the various points immediately, this discussion might form the basis for a report by the United States delegation at the Twelfth Session.

Mr. CORSE (United States of America) assured contracting parties that their comments would be transmitted to his Government and would receive its full consideration. With regard to the Australian proposal, he would have no objection to the item remaining on the agenda and would be prepared to report at the Twelfth Session on United States action in this field.

The CHAIRMAN said that the discussion had shown great interest in this question. Concern had been expressed by some representatives at the existence of large surpluses and at the ways in which they were being disposed of. It had been emphasized that the consultation procedures should be made more effective, which would contribute to the orderly liquidation of stocks. Expansion of consumption had been shown to be a desirable objective, rather than the restriction of production, and attention had been drawn to the importance of building up stocks in certain instances to cope with economic difficulties. There had also been general support that the item should be included on the Twelfth Session agenda and the representative of Australia had proposed that the United States should then reply to the specific points made in the present debate. Regarding the suggestion of the Brazilian representative, the Intersessional Committee was charged with the task of doing preparatory work to facilitate and expedite discussions on all items on the sessional agenda.

It was agreed to include this item on the agenda of the Twelfth Session.

3. France/Tunisia Customs Union (L/475 and L/559)

The CHAIRMAN said that the text of the chapter on commercial relations of the Economic and Financial Convention between France and Tunisia, concluded on 3 June 1955, and the text of the Protocol of Application relating to the Customs Union had been distributed in L/475. On 1 January 1956 the Customs

Union between France and Tunisia had become effective. More recently the French Government had explained in a memorandum (L/559) the principal features of the customs union arrangements.

The Customs Union had been brought to the attention of the CONTRACTING PARTIES at the final meeting of the Tenth Session on 3 December 1955. At that time the French representative had stated that the notification was being made pursuant to the provisions of paragraph 7 of Article XXIV. In view of the late date at which the matter was brought to the Session and the imminence of the entry into force of the Customs Union between France and Tunisia, it was not practicable to deal with the matter in accordance with paragraph 7(a) which refers to a "proposed" Customs Union and to reports and recommendations of the CONTRACTING PARTIES relating to such "proposed" Union. As the Customs Union was already in force it seemed inappropriate to deal with it under paragraph 7(a). The CONTRACTING PARTIES might therefore wish to examine the treaty, and the further information provided by the French Government, under the general powers vested in the CONTRACTING PARTIES under paragraph 1 of Article XXV. The procedure would presumably be similar in the sense that the CONTRACTING PARTIES would be examining the treaty and supporting information in the light of the provisions of Article XXIV.

Mr. PHILIP (France) said that in accordance with Article 11 of the Economic and Financial Convention ratified in August 1955 France and Tunisia had constituted their respective territories in a customs union. The Protocol of 30 December 1955 concerning the application of the Customs Union provided that the Union would conform with the provisions of Article XXIV of the General Agreement. Since the common tariff came into force on 1 January 1956 Tunisia had become independent. This important political event had not modified the economic relations between France and Tunisia as they were defined by the Economic and Financial Convention of 1955. The Franco-Tunisian Customs Union fell entirely within the terms of the definition in paragraph 8 of Article XXIV and made no exceptions to the principle of uniformity of duties and other regulations of commerce on the trade of third countries and conformed with the requirement of eliminating all customs duties and other restrictive regulations of commerce with respect to substantially all the trade within the Union. The notification provided for in paragraph 7(a) of Article XXIV had been made in due time, namely in the plenary meetings of 21 December 1954 and 3 December 1955. Furthermore, the Customs Union was consistent with the dispositions of paragraph 9 of Article XXIV relating to preferential treatment, which had undergone no modification.

When elaborating the new common tariff of the Union it had been decided to adopt the Brussels Tariff Nomenclature. In accordance with the provisions of paragraph 5(a) of Article XXIV the rates of duty in the new tariff were on the whole not higher or more restrictive than prior to the formation of the Union. In its memorandum of 20 October 1956 (L/559) the French Government explained that since 1928 a partial customs union had existed which covered the greater part of traditional Franco-Tunisian trade. The new Convention rendered the Customs Union more complete. Generally, for goods which previously were

not covered by the Customs Union régime Tunisian duties were lower than the corresponding French duties. Taking into account the relative importance of the trade of the two constituent territories the new common tariff was nearer to the previously existing French tariff. The tables annexed to document L/559 indicated the duty reductions that had been granted in the two tariffs in order to comply with the requirement concerning the general incidence as provided in Article XXIV:5(a). A limited number of Tunisian duties on less important items bound under GATT had been raised in the new common tariff, and the French Government was prepared to enter into renegotiations under Article XXVIII in accordance with the provisions of Article XXIV:6, but considered that the CONTRACTING PARTIES should take into account the reductions in French duties introduced by the new tariff.

In conclusion, Mr. Philip said that the CONTRACTING PARTIES would have to ascertain whether the transposition of the common tariff into the Brussels nomenclature had resulted in any nullification or modification of concessions which France had granted at tariff conferences. The French Government had attempted to comply with the provisions of Articles II and XXIV and was confident that the CONTRACTING PARTIES would approve the new tariff. The French delegation would be prepared to furnish all complementary information which might be desired.

Mr. NORWOOD (United States) regretted that no earlier opportunity had been afforded to review the Customs Union arrangements. The matter had been referred to the CONTRACTING PARTIES at the end of the Tenth Session but there had been no time to examine the matter in the way envisaged by Article XXIV of the Agreement. The CONTRACTING PARTIES would have to see whether the duties and other regulations of commerce were higher or more restrictive of trade than those in force prior to the formation of the Union. If the matter were examined under Article XXV:1 it would be appropriate to examine fully the memorandum submitted by the French Government. His delegation would be willing to establish a working party to study the problem carefully either at the Session, if that were feasible, or after the Session if time did not permit them to complete the study before the end of the Session.

Mr. POLLARD (United Kingdom) said that his delegation had taken note of the introductory remarks by the Chairman. The Customs Union arrangements would have to be reviewed in detail. At this stage of the conference the CONTRACTING PARTIES would not welcome the establishment of a new working party and since the French memorandum, which had just been received, would require a careful study, he suggested that the Intersessional Committee be given the task of examining the information and be instructed to report to the CONTRACTING PARTIES at the Twelfth Session.

Mr. AUGENTHALER (Czechoslovakia) supported the proposal of the delegate for the United Kingdom and expressed the hope that a representative of Tunisia would attend the discussions.

The CONTRACTING PARTIES considered that since the Customs Union had already entered into force there was not the same urgency to examine the arrangements as there would be if the convention and Protocol had been submitted as a draft for a "proposed" Union. They agreed to refer the question to the Intersessional Committee for a careful examination and to instruct the Committee to report to the Twelfth Session.

4. Greek Increase in Bound Duties (L/541 and L/575)

Mr. EICHHORN (Federal Republic of Germany) said that the complaint of his Government, set out in document L/575, dealt with Greek increases of bound duties on electric refrigerators weighing up to 250 kilograms and on long-playing gramophone records. As the Greek Government had invoked Article XIX to raise the duty on refrigerators and consultations had been initiated, his delegation did not ask to have this subject discussed by the CONTRACTING PARTIES; nevertheless, the German Government wished to reserve its right to raise the matter again if it appeared that the criteria for action under Article XIX were not satisfied. With respect to long-playing records, however, the question was wholly different. The Greek Government had raised a bound duty without having recourse to the provisions of the General Agreement to withdraw or modify a tariff concession. This action had created an uncertain legal situation and endangered the stability of the duties bound under the General Agreement. The German delegation thought that it was not possible to consider that the duties on long-playing records were not bound because they were a type of gramophone record which had only appeared on the market after the conferences of Annecy and Torquay. According to its description the tariff item included all records whatever the form, size, material, etc. and therefore also the various types of records which were evolved subsequently. If it were accepted that a concession on a tariff item did not cover a type of goods evolved later, which fell within the terms of the description of the tariff item, this would have considerable repercussions on the value of tariff concessions under the General Agreement. His Government applied a bound duty on all types of goods evolved subsequently which fell within the description of the tariff item and as far as he knew many other contracting parties were following the same rule. As legal and technical questions were involved it was desirable that this question should be examined by a small group of experts in customs matters.

It was known that, having almost completely abolished quantitative restrictions, Greece relied mainly on the tariff to regulate foreign trade. For Greece duties were, furthermore, an important source of revenue. The German delegation understood that the Greek Government might feel compelled to raise some bound duties to develop certain industries for fiscal or other reasons, and would therefore have particular understanding in negotiations or consultations, but in the interests of international trade it would be preferable to follow the procedures of the General Agreement.

Mr. CAFTANZOGLOU (Greece) said that the specific duty on gramophone records (tariff item 137 e, 3), bound in Annecy and Torquay, represented 159.2 per cent of the value of the records. Before the issue of the Decree of 3 October 1956,

establishing an ad valorem duty on long-playing records, these were subject to the specific duty, the incidence of which was 24 per cent for long-playing records of forty-five revolutions and 48.4 per cent for long-playing records of thirty-three revolutions. Thus, the long-playing records were subject to the same rates of duty as records of the standard type, although they were much more expensive and contained approximately four times as much music. The weight of 100 records of the older type was 22 kilograms; that of 100 long-playing records of thirty-three and forty-five revolutions was 15 and 4.4 kilograms respectively. Under the uniform specific duty 100 records of the standard type were subject to the same duty as 150 and 500 records of thirty-three and forty-five revolutions respectively. To remedy this abnormal situation, his Government had decided to impose a 70 per cent ad valorem duty on long-playing records without modifying the specific duty on records of the older type. The establishment of a new sub-item in the tariff for long-playing records could not be considered to constitute a withdrawal from the tariff item of an article previously subject to the bound duty. Indeed, at the time of the Annecy and Torquay tariff negotiations, long-playing records were practically unknown and not imported by Greece. Long-playing records were a new article which was the result of an evolution in the technique of fabrication. They were made of a different material, were lighter and far more expensive than records of the standard type.

Mr. CORSE (United States) said that his delegation, having been notified of the modification of the concession on refrigerators fairly recently, had not yet received instructions and wished therefore to reserve its position. Consultations had been entered into with the Greek delegation and he hoped that a solution would be reached before the end of the Session. With respect to long-playing records there was a difficult problem which had come up several times in the past. The general view of his delegation was that when a new article appeared which fell within the classification of a tariff item on which a concession had been granted, the concession applied to the new article as well, unless there were some special note in the Schedule. At the last Session his delegation had given compensation for an increase in the bound duty on a new article which was considered encompassed within the existing tariff item. His delegation reserved its position as to the trade aspect of the question, but from a legal point of view it tended to share the opinion of the German delegation. This problem would have to be studied by experts.

Mr. FORTHOMME (Belgium) said that a problem of principle of the greatest importance was involved. His delegation believed that even if technical evolution, leading to the production of new articles, induced a country to modify the tariff classification and the duty, it should follow the procedures for renegotiation and compensation.

Mr. PHILIP (France) agreed with the views expressed by other delegates and considered that long-playing records were included in the tariff item on which concessions had been granted at Annecy and Torquay. His delegation wished to be associated in any consultations.

The CHAIRMAN said that it did not appear necessary to appoint a panel to examine this complaint but he proposed to convene a meeting of customs experts which would discuss the matter with representatives for Germany and Greece. Any delegation with a particular interest could participate in the discussions. The matter would then be put on the agenda of a later meeting.

This was agreed.

5. Rhodesia and Nyasaland Tariff (L/519)

The CHAIRMAN recalled the Decision taken at the Tenth Session concerning the new customs tariff of the Federation of Rhodesia and Nyasaland which, subject to certain procedures, authorized the Federation to complete the process of adjustment of its tariff. In document L/519 the Federal Government had drawn attention to the difficulties and anomalies which arose through the necessity of maintaining an internal customs barrier. The Federation intended to apply its new tariff uniformly over the whole of the Federal territory, and suggested that this was a problem which could appropriately be dealt with according to the principles and procedures laid down at the Tenth Session. At the meeting of the CONTRACTING PARTIES on 18 October 1956 the Minister of Finance of the Federal Government had explained the situation and the difficulties encountered (SR.11/5).

Mr. BERTHARD (Federation of Rhodesia and Nyasaland) recalled that the Minister of Finance of his Government had informed the CONTRACTING PARTIES of the different tariff systems which had existed in the constituent parts of the Federation prior to the introduction of a consolidated tariff on 1 July 1955. Under the new tariff regime a uniform four column tariff applied to Southern Rhodesia and the greater part of Northern Rhodesia, and, as previously, a single column tariff to Nyasaland and the north-eastern part of Northern Rhodesia which constituted what was known as the Conventional Area. Experience had shown the difficulties of effectively applying the two separate tariffs, requiring a long internal customs frontier, particularly in an under-developed territory like Central Africa. Not only had it led to evasions but, where effectively administered, the existence of internal control and discriminatory customs taxation had become exaggerated in the public mind to a point where it led to agitation and unrest. This tendency was particularly serious on account of the existence of widely varying degrees of social and cultural development among the people. As the barrier militated against the successful economic and political integration of the two areas, his Government had come to the conclusion that it must apply a uniform customs tariff to the whole of the Federation. As the Conventional Area was the most underdeveloped part, with negligible mineral and manufacturing industries, and accounted for only 5 per cent of the Federation's total import trade, the most practical way of dealing with the problem was to extend to the Conventional Area the four column tariff which operated in the rest of the Federation. This request was submitted in accordance with the principles and procedures laid down by the CONTRACTING PARTIES in their Decision at the Tenth Session which recognized that further adjustments to the Federal Tariff would be necessary and would be permitted, up to 1 July 1958, provided the overall position in respect of preferences was maintained. The Federal Government was willing to enter into consultation with any contracting party which claimed to be substantially affected by the adjustment and, as set out in document L/519, was prepared to reduce the preferential margins on a number of tariff items; these reductions would be made effective concurrently with the extension of the uniform tariff to the Conventional Area, and would apply to the whole of the Federation.

In concluding, Mr. Bertram thought that there were exceptional circumstances and that the procedure proposed conformed with both the terms of the Decision of the Tenth Session and the principles of the General Agreement. He hoped that the CONTRACTING PARTIES would agree to his Government proceeding on the basis suggested so that consultations could be completed during the present Session.

Mr. CORSE (United States) said that, at the Ninth Session, his delegation had been pleased to welcome the Federation of Rhodesia and Nyasaland as a contracting party. At the Tenth Session his delegation had actively participated in the successful search for solutions to the difficult problems connected with the establishment of a new tariff for the Federation as a whole. While understanding the difficulties now confronting the Federation and recognizing that careful consideration had been given to the interests of other contracting parties, the proposal now submitted raised a peculiar difficulty for his Government because of problems arising under another more formal agreement applicable to a part of the Federation. The United States was a party to the Treaty of St. Germain under which it was entitled to certain rights of commercial equality in Central Africa including a part of the Federation of Rhodesia and Nyasaland. His Government could not consider that any action by the CONTRACTING PARTIES to remove the impediment which that Agreement would otherwise present to the implementation of this proposal would in any way affect its rights under the Treaty of St. Germain. Consequently his delegation had been instructed to abstain.

Baron BENTINCK (Kingdom of the Netherlands) said that the request of the Federation gave rise to some apprehension. His delegation had carefully listened to the explanations which the representatives of the Federation had given at the meeting of the Intersessional Committee in September and at the present Session and was therefore aware of the administrative, technical and even political problems that were involved in the maintenance of two different tariff systems which caused indeed a difficult situation. His delegation was prepared to seek a practical solution to this problem. It was rather unfortunate, however, that the proposed solution to eliminate the discrimination within the Federation would create discrimination between the Commonwealth countries obtaining preferential treatment in the Conventional Area and other countries, thereby "exporting" discrimination. The delegate of the Federation had stated that the extension of the preferential system was related to an area that only absorbed 5 per cent of the import trade. Could such a percentage demonstrate the degree of importance of the case? The Conventional Area was a region with many prospects for development and would soon benefit from the building of the gigantic Shire Valley hydroelectric plant which would cost more than £100 million and lead to important purchases. Apart from these considerations, the 5 per cent - or, in absolute figures, a trade of nearly £7 million - was in itself important enough to receive consideration. The offers of reduction in the preferential margins of the unified tariff, proposed in document L/519, were not impressive either in quality or quantity. If the quality was hard to assess, the quantity, on the other hand, was ascertainable. The total imports on which offers were

made amounted to nearly 3.3 per cent of total imports and for the Netherlands this percentage was only 1.3. Another solution would be to apply to the whole Federation the single column tariff now applied to the Conventional Area. Although this was admittedly a revolutionary solution, such a step might in the long run be advantageous to the Federation. He would not press this point but thought that between such a solution and the extremely modest offers by the Federation there lay a large gap. The final attitude of his Government would naturally depend on the way in which the Federation would be prepared to accept the Netherlands views. From the procedural aspect, the communication of the Federation (I/519) gave the impression that it considered the extension of the preferential system covered by the expression "further adjustments" used in the Decision taken at the Tenth Session. This seemed a rather liberal interpretation of the Decision, but his delegation would not wish to over-emphasize the importance of this point which was mainly of formal significance.

Mr. PARBONI (Italy) said that his delegation was aware of the political and technical difficulties of maintaining two different tariff regimes in the Federation and therefore recognized that the request was justified. However, the extension of the preferential regime would have adverse effects on the exports and export possibilities of some third countries. The provisions of Article I of the Agreement concerning preferential treatment could be respected only if the Federation granted a corresponding reduction in other preferences. The Federation had already announced that it was prepared to do so and he therefore proposed that this be examined in consultation with the Federation. He also drew attention to the problems resulting from the proposed suspension of the equality of tariff treatment for that part of the Federation which belonged to the Conventional Area. The proposal of the Federation affected the validity of the Convention in the Conventional Area and might have repercussions on other countries parties thereto. These aspects of the proposal would have to be examined in the consultations so that the CONTRACTING PARTIES could arrive at a satisfactory solution.

The CHAIRMAN, in response to the remarks by the representatives of the United States and Italy, said it would go without saying that what is done by the CONTRACTING PARTIES could affect only rights and obligations under the General Agreement and could not affect rights or obligations under other international instruments. The Chairman then enquired whether the CONTRACTING PARTIES agreed that the action proposed by the Government of the Federation to apply the Federal tariff, including the tariff preferences therein, uniformly to all imports into the Federation, could be deemed as coming within the terms and subject to the procedures of the Decision of 3 December 1955 relating to the completion of adjustments in the tariff of the Federation.

Mr. GARCIA OLDINI (Chile) thought that a proposal to extend the preferential regime even to a small area gave rise to an important issue of principle and therefore deserved careful examination by the CONTRACTING PARTIES.

Mr. NAUDE (Union of South Africa) doubted whether further examination of this proposal was really necessary; it did not seem to require lengthy and laborious investigation. The CONTRACTING PARTIES were perhaps showing too great concern over the legal aspects and might perhaps pay more attention to weightier issues. It had to be borne in mind that a new political entity was being created which would bring stability and prosperity to that part of Africa where many people deserved assistance from the more privileged.

Mr. FORTHOMME (Belgium) said that if his delegation approved the request, it would certainly not be because of the benefits expected from the unification of the Federal tariff. There existed rather minor divergencies of opinion as to the way to overcome certain problems confronting the Federation. As important questions of principle and an interpretation of the Decision of 3 December 1955 were involved, it would be useful to leave some time for discussions with a view to finding a solution acceptable to all.

Baron BENTINCK (Kingdom of the Netherlands) said that there were good reasons for holding bilateral discussions. He asked whether it might be acceptable to delete the reference to the Decision of 3 December 1955.

Mr. POLLARD (United Kingdom) said that the question of principle should not be exaggerated. The proposed plan would result, on the whole, in a reduction of preferences.

The CHAIRMAN suggested that further thought might be given to the problem so that any remaining apprehensions would be allayed.

The CONTRACTING PARTIES agreed to postpone consideration of the subject to a later meeting.

6. French Stamp Tax (L/569)

The CHAIRMAN said that at the Tenth Session it had been found that the increase in the French stamp tax was contrary to the provisions of Articles II and VIII. The French representative had stated that his Government intended to revise the tax as soon as possible and the CONTRACTING PARTIES had asked the French Government to report at the present Session on action taken. This report had been distributed in L/569.

Mr. PHILIP (France) recalled that, at the Tenth Session, in reply to a complaint of the United States delegation, he had recognized that the increase in the rate of the stamp tax charged at importation into France from 2 to 3 per cent was contrary to the provisions of the Agreement, as at the level of 3 per cent the tax exceeded the cost of services rendered. He had further explained that this measure had been necessary to find an urgent solution to the problem of financing agricultural family allowances. As

reported in document L/569, the draft Finance Act for 1957 which had been submitted to Parliament provided for the reduction of the rate of the stamp tax from 3 to 2 per cent and he hoped that this information would give satisfaction to the CONTRACTING PARTIES.

Mr. CORSE (United States) thanked the French representative for this information and hoped that the legislation would be approved.

The CONTRACTING PARTIES took note of the French Government's intentions to reduce the rate of the tax and asked it to inform the CONTRACTING PARTIES when the measure in question had been approved.

The meeting adjourned at 5.40 p.m.