

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

CRT/SR.5

9 December 1957

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CONTRACTING PARTIES  
Twelfth Session

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## Committee on the Treaty Establishing the European Economic Community

### SUMMARY RECORD OF THE MEETINGS

held at the Palais des Nations, Geneva,  
on Thursday, 28 November 1957 at 2.30 p.m.  
and Friday, 29 November 1957 at 10 a.m.

Chairman: Mr. L. Dana Wilgress (Canada)

- Subjects discussed:
1. Reports of the Sub-Groups
  2. The Common Market for Nuclear Products
  3. Continuing Co-operation between the  
CONTRACTING PARTIES and the European Economic  
Community
  4. Continuing Machinery for the Consideration of  
the Rome Treaty
  5. Report of the Committee

#### 1. Reports of the Sub-Groups

The CHAIRMAN recalled that the Committee, in order to facilitate the examination of the Rome Treaty in accordance with its mandate, had appointed four Sub-Groups to examine in detail the various aspects of the Rome Treaty. After an exchange of views had taken place, none of the Sub-Groups had reached any finality as to the matters examined and the reports were therefore of an interim character. In these circumstances, he suggested that the Committee confine itself to taking note of the reports, which would then be annexed to the report of the Committee to the CONTRACTING PARTIES.

It was so agreed.

#### Report of Sub-Group A - Tariffs and Plan and Schedule (W.12/57)

Mr. TREU (Austria), Chairman of the Sub-Group, presented the report. The Sub-Group had examined the provisions of the Rome Treaty relating to the establishment of a common tariff and the elimination of import and export duties among the members. It had also examined the arrangements which would be necessary for

the application of the provisions of paragraph 6 of Article XXIV, concerning the modification of bound items as a result of the introduction of the common tariff, and whether the Rome Treaty contained a plan and schedule for the complete establishment of a customs union in the sense of Article XXIV. As pointed out in the final remarks of the report, conclusions had not been reached on all the points examined by the Sub-Group on account of a lack of time and the absence of precise information. No final view could be held on the general incidence of the common tariff and whether it would be consistent with the provisions of paragraph 5(a) of Article XXIV, since the rates of duty were not yet known for a large part of the tariff. The Sub-Group had unanimously confirmed that paragraph 6 provided that if the common tariff would involve in its implementation the raising of any duty rate above that specified in a schedule annexed to the General Agreement, negotiations should take place under the procedures provided for in Article XXVIII. No definite solution had been found concerning the manner in which the negotiations would be conducted and the Six had declared that they could not commit themselves to such negotiations without prior consultations as to the methods of application of paragraph 6 of Article XXIV. In this connexion a problem of particular concern for Japan had arisen which was set out in document W.12/58/Rev.1. It was understood that the Six had prepared an answer to that statement. As noted in Section IV of the report insufficient time had been available to study all the provisions of the Treaty having a bearing on the elimination of customs duties between Member States; only Articles 12 to 17 had been examined. Finally, the Sub-Group had suggested that the tariffs and plan and schedule of the Treaty be referred to appropriate intersessional machinery for further consideration.

Mr. DUBOIS (Belgium) said that the problem raised by the delegate of Japan had not escaped the notice of the governments of the Member States. At present the Six were not in a position to state their final views on this issue, which would however be carefully examined by the Institutions of the Community in the light of the obligations undertaken vis-à-vis Japan by certain Member States under the General Agreement.

Mr. GARCIA OLDINI (Chile) emphasized that lack of time had prevented a full study of the problems under consideration. The conclusions of the Group were therefore only of a preliminary nature.

The Committee took note of the Report.

#### Report of Sub-Group B - The Use of Quantitative Restrictions (W.12/51)

Mr. MONSERRAT (Cuba), Chairman of the Sub-Group, introduced the report. Despite the fact that widely divergent views had been expressed during the discussions, the spirit of co-operation that had prevailed had made it possible to arrive at a carefully balanced compromise which included and omitted enough elements to make it acceptable, though not fully satisfactory, to all the members of the Group. When studying the report, contracting parties should bear these facts in mind. He then drew attention to the conclusion of the Sub-Group that at the present time it was not possible to decide what recommendations would be appropriate under Article XXIV, but that this should not be construed to mean that the CONTRACTING PARTIES might not wish to take action at a later stage.

Accordingly, the Sub-Group had considered that there was no need for them to take a formal decision to set up special machinery to deal with the use of quantitative restrictions by members of the Six but had felt that the closest possible co-operation should be arranged in order that the Community might work together with the CONTRACTING PARTIES for the harmonious attainment of the objectives of the common market and the General Agreement. Because of the importance to international trade of action which the Six might take and of the desirability of a clear understanding between the Six and the other contracting parties the Sub-Group had agreed that a discussion of the problems which might arise in the field of quantitative restrictions should be provided for in whatever arrangements were made for continued liaison with the Six and the Institutions of the Community. The Sub-Group had also considered that any particular problems that might arise in the actual application of import restrictions by individual members of the Community would be examined in the consultations under the provisions of the General Agreement. Finally, the Sub-Group pointed out that it was desirable to keep a close collaboration with the International Monetary Fund in relation to the problems which might arise as a consequence of action taken by the Six in matters of quantitative restrictions for balance-of-payments reasons.

Mr. STUYCK (Belgium) indicated that the report, which had been prepared in a constructive spirit, would undoubtedly constitute an excellent basis for fruitful co-operation in the future between the CONTRACTING PARTIES and the Six.

The Committee took note of the Report.

Report of Sub-Group C - Trade in Agricultural Products (W.22/56)

Mr. OSMAN ALI (Pakistan), Chairman of the Sub-Group, introduced the report. The Sub-Group had considered the agricultural provisions of the Rome Treaty in relation to the General Agreement. The discussion had covered the arrangements applied during the transitional period and the development during that period of a common agricultural policy to be applied not later than at the end of that period. The Sub-Group had regard to the probable effects of the common organization and its agricultural policy on the interests of third countries, with special reference to those countries whose economies depend mainly on the production and export of a few agricultural commodities. The report was largely of an interim character. Indeed the large area of discretion left to the Institutions of the Community and the lack of a sufficiently precise plan as to how the agricultural provisions of the Treaty would be applied had not permitted the Group to arrive at a firm and definitive conclusion. Explanations by representatives of the Six had helped to clarify several points dealing with relations between the General Agreement and the Rome Treaty. Although these statements had left many important questions unsolved and some fears had remained unallayed, the members of the Sub-Group other than the representatives of the Six, had decided that they were not able to determine at present either that the agricultural provisions of the Treaty or their implementation would be consistent with the provisions of the General Agreement. The Chairman then drew attention to the statement in the last paragraph of the report that no unanimous recommendation could be made as to the need for setting up suitable machinery so that CONTRACTING PARTIES could follow and consider together with the Six the measures to be taken in the course of establishing the common agricultural policy and organization as well as the relationship of these measures with the provisions of the General Agreement.

Sir Claude COREA (Ceylon) referring to paragraph 16 of the report, stressed that all the members of the Group, except the representatives of the Six, had stated that, for various reasons, it would be necessary to provide for regular and appropriate machinery.

Mr. HOOGWATER (Kingdom of the Netherlands) emphasized that the whole report deserved special attention, and particularly paragraph 17.

The Committee took note of the Report.

Report of Sub-Group D - Association of Overseas Territories (W.12/59 and Corr.1)

Mr. HAGEN (Sweden), Chairman of the Sub-Group, presented the report. The Sub-Group had examined, in the light of the provisions of the General Agreement the provisions of the Treaty of Rome relating to the association of the overseas countries and territories with the common market. It had examined the economic and juridical aspects of the regime applicable to the overseas territories as well as to exports from the overseas territories to the common market, and had discussed questions relating to the simultaneous establishment and co-existence of customs unions and free-trade areas. Special attention had been drawn to the question whether the requirement that a free-trade area should cover substantially all the trade had been fulfilled. No definite conclusions had been reached. The limited time available had prevented members from developing their arguments, and similarly the representatives of the Six had not been able to reply to some of the criticisms made. With regard to the problems which the association presented for the trade of other contracting parties, the Sub-Group had not been able to discuss the substance of the matter, but had recommended that further examination should take place and had named some products for which the trade effects should be examined.

Mr. VALLADAO (Brazil) drew attention to the request to the Six in paragraph 43 of the report to refrain until the end of 1958 from applying any tariff reductions in respect of products originating in the overseas territories; no reply had yet been given by the Six to that request, which concerned a problem that was of great importance to Brazil; he therefore wished to reserve the position of his delegation both as a member of the Committee and also in the CONTRACTING PARTIES, until such time as a reply was received from the Interim Committee.

Mr. de la CHARRIERE (France) said that as soon as the report had been approved by the Committee, the request would be transmitted to the Interim Committee for the Common Market.

Sir Claude COREA (Ceylon) said that a number of contracting parties, while taking note of Article 234 of the Treaty of Rome and bearing in mind the statements made by some of the representatives of the Six, wished to record as their view that, pending the further examination of the Treaty of Rome and the formulation of a determination by the CONTRACTING PARTIES in accordance with the General Agreement, no action should be taken by the Economic Community in association with its overseas territories which would in any way be prejudicial to the interests of third countries or contrary to the terms of the General Agreement.

The representatives of Cuba, India, Indonesia, Pakistan, Peru and Uruguay, supported Sir Claude Corea's statement. The representative of Brazil also associated himself fully with that statement, without prejudice to the question which he had raised earlier. The representative of Chile also supported the statement, and referred to the discussion in Sub-Group A of the fact that tariff negotiations could not be commenced until the new common tariff had been completed, in two years' time, while the Treaty provided that progressive reduction of internal duties should begin at the end of the first year; he hoped that these facts would be brought to the attention of the Interim Committee.

The Committee took note of the Report.

2. The Common Market for Nuclear Products (W.12/55)

The CHAIRMAN reported that, as agreed at a previous meeting, he had consulted certain experts and that he had distributed a Note on the provisions of the Euratom Treaty establishing a common nuclear market. As stated in paragraph 10(d) of the Note he proposed that the Committee, in making recommendations to the CONTRACTING PARTIES for further consideration of the Economic Community Treaty, should recommend that the provisions of the Euratom Treaty referred to in the Note should also be considered.

It was so agreed.

Mr. SVEC (Czechoslovakia) reserved his Government's position, in view of various considerations and in particular the fact that fissionable materials were among the security exceptions listed in Article XXI of the General Agreement.

Mr. MAKATITA (Indonesia) reserved his Government's position with regard to the reference to Netherlands New Guinea in paragraph 7 of the Note.

3. Continuing Co-operation between the CONTRACTING PARTIES and the European Economic Community

The CHAIRMAN said that at this stage the Committee would not be able to submit recommendations and Item B of its terms of reference, since it had not been possible to reach any final conclusions under Item A of the terms of reference (W.12/14).

4. Continuing Machinery for the Consideration of the Treaty of Rome (W.12/45 and L/766)

The CHAIRMAN said that after consultations with the Chairman and Vice-Chairmen of the CONTRACTING PARTIES, the Vice-Chairmen of the Committee and the Chairmen of the Sub-Groups and informal talks with some delegations, he had formed the opinion that it would be appropriate for further consideration of the Treaty of Rome to be entrusted to the Intersessional Committee. The considerations which led him to make that recommendation were explained fully in W.12/45. He drew

particular attention to the fact that the Intersessional Committee was a representative body which was, furthermore, required to co-opt any contracting party which so desired and it had authority to establish subsidiary groups as necessary.

In the ensuing discussion, some representatives supported the Chairman's proposal, but other delegations expressed the view that it would be preferable to continue consideration of the Treaty of Rome in a committee in which all contracting parties were represented and therefore favoured an extension of the mandate of the present Committee.

Mr. de SCHACHT (Interim Committee for the Common Market and Euratom) stated that, since there seemed to be some obscurity regarding the intentions of the contracting parties in referring to "machinery" and, frequently, "continuing machinery", the Six considered that the time had come when they should make their position clear, particularly now that a majority seemed inclined to favour an extension of the mandate of the present Committee. The Six drew the attention of the CONTRACTING PARTIES particularly to the psychological and political importance which they attached to the distinction which they made between, on the one hand, the discussions relevant to what they called an investigation as to whether the provisions of the Treaty were consistent with the provisions of paragraphs 5 to 9 of the General Agreement and, on the other hand, the discussions which the CONTRACTING PARTIES would like to hold once the investigation had been completed. With regard to the latter discussions, and as the Six had indicated many times in meetings of the Sub-Groups, they could not accept any special procedures which would imply for them additional obligations which were not applied to the other contracting parties. In regard to the question under consideration, the provisions of Articles XXII and XXIII of the General Agreement should be sufficient for the holding of any consultations which the CONTRACTING PARTIES might desire.

On a proposal by the Chairman, a drafting group met and prepared revised recommendations, which the Chairman then presented to the Committee (document L/766); these provided that further consideration of questions relating to the Treaty of Rome should be carried on by the Intersessional Committee and that in view of the importance of those questions to all contracting parties, the Intersessional Committee for the period between the Twelfth and Thirteenth Sessions should be constituted of representatives of all contracting parties; in its work on the Treaty of Rome it should have the same terms of reference, with suitable formal modifications, as the present Committee. Further, the Intersessional Committee should appoint a Working Party, with the same composition as Sub-Group D including the co-opted members, to continue consideration of questions arising from the association of overseas territories. This Working Party should meet on 16 December in order to indicate what statistical and other material should be prepared for its work and should hold its first working meeting towards the end of January; the Intersessional Committee should meet on 14 April 1958.

In reply to a question, the CHAIRMAN pointed out that any contracting party could send an observer to meetings of the Working Party, and observers would have the right to participate in meetings and express their views.

The recommendations in L/766 were approved.

5. Report of the Committee

The CHAIRMAN said that, in view of the short time available, he proposed to submit an oral report to the CONTRACTING PARTIES in which he would describe briefly the work of the Committee and its Sub-Groups. He would make reference to the first three recommendations only in L/766 relating to arrangements for the intersessional period, since the other three recommendations in that document were for consideration by the Intersessional Committee. The only question of substance to which he intended to refer related to the reports of the Sub-Groups. He proposed to say: "The Committee found that the reports contained no definite conclusions, because either the time at the disposal of the Sub-Groups or the information now available did not permit such conclusions to be drawn. The reports were, therefore, largely of an interim character. For this reason the Committee simply took note of the reports and decided to bring them to the attention of the CONTRACTING PARTIES for their information".

Mr. CORSE (United States of America) suggested the insertion of a reference to the fact that the reports would nevertheless make a significant contribution to the future consideration of the problems concerned.

The CHAIRMAN said he would make that addition to his report.

The Committee approved the oral report on its work as outlined by the Chairman; the reports by the Sub-Groups should be regarded as annexes to that report.

The CHAIRMAN said that the Committee had concluded its work; he thanked the members of the Committee, the Chairmen and members of the Sub-Groups for the work they had accomplished, which represented a considerable contribution to the examination of the very important ~~questions which were before the~~ CONTRACTING PARTIES.

The Committee rose at 10.30 a.m.