

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

SR.15/11

14 November 1959

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CONTRACTING PARTIES  
Fifteenth Session

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## SUMMARY RECORD OF THE ELEVENTH MEETING

Held at the Sankei Kaikan, Tokyo, on  
Friday, 6 November 1959, at 3 p.m.

Chairman: Mr. F. GARCIA OLDINI (Chile)

- Subjects discussed:
1. Latin-American economic integration
  2. Status of the Agreement and protocols
  3. Nicaraguan import duties
  4. Brazilian waiver-extension of time-limit
  5. Brazil tariff negotiations
  6. Greek tariff reform

### 1. Latin-American economic integration (L/1092)

The CHAIRMAN drew attention to document L/1092 containing the text of a communication from the delegations of Brazil, Chile, Peru, Uruguay and from the observers for Argentina and Bolivia concerning the establishment of a free trade area in Latin America.

Mr. MARGARINOS (Uruguay) said that a meeting between certain Latin American governments had taken place at Montevideo in September, as a result of which a draft treaty for the establishment of a free trade area among them had been drawn up. Copies of the draft treaty had been circulated to contracting parties and he therefore proposed to confine his remarks to some general comments and explanations of the main features of the proposed free trade area.

The objective of Latin American integration was not new. It stemmed from historical considerations and a common cultural tradition, and had been frequently stressed in the past by leaders of the countries concerned. Against this background, the moment was propitious for Latin America to give these considerations concrete form. In the economic and commercial fields, this co-operation had been further prompted and stimulated by recent international developments, such as the post-war recovery of Western Europe through the common effort of the OEEC countries, the formation of the Benelux customs union, the European Coal and Steel Community and the European Economic Community. If the proposed European Free Trade Association among seven European countries was added to these, it would be seen that, in the near future, a great part of world trade would be regulated by regional arrangements of this nature.

The difficulties which had confronted the Latin American countries in the past, due often to factors beyond their control such as the decline in world primary commodity prices coupled with the increase in the prices of the manufactured goods they imported, had compelled them to seek, as a matter of urgency, a widening of their national markets in order to create a larger market for the free circulation of manufactured and consumer goods. Such a market would encourage a full interchange of wealth, stimulate investment and foster sufficient industrial development to absorb future labour surpluses which could not be absorbed by the traditional agricultural industries. As the CONTRACTING PARTIES were aware, the preparatory work carried out by the Economic Commission for Latin America, in which a number of experts of the countries concerned had participated, was motivated by the fundamental aim of formulating a legal instrument and principles of commercial policy clearly consistent with the spirit and provisions of the General Agreement. This was clearly demonstrated by Resolution II of the Montevideo Conference, which provided for the participating governments Members of the GATT to submit to the fifteenth session of the CONTRACTING PARTIES, for information, a joint declaration on the progress reached in Montevideo, together with the final act of the meeting. In doing this, the countries concerned had fulfilled the undertakings given at earlier sessions of the CONTRACTING PARTIES and they wished to reiterate their intention of adopting an instrument which conformed fully with their international commitments and which would promote the expansion of international trade.

What they had aimed at was a broad agreement to which any Latin American country could accede at any time. The draft treaty contained provisions to this effect, thus permitting any Latin American State which did not accede to the Treaty initially to do so at a later stage if it so wished. Another basic consideration was the desire to promote a harmonious, balanced development in the area as a whole and the need to take particular account of the special problems of countries in the area which were at a relatively less advanced stage of economic development; provisions relating to these special problems were contained in Chapter III of the draft treaty.

The draft treaty represented a simple, practical formula for the establishment of a free trade area and took account of the different conditions in the countries concerned, and recent changes in their commercial and exchange policies. It envisaged a plan and programme covering twelve years for the progressive reduction of customs duties and other barriers. In each period of three years, as a result of successive negotiation, duties and other barriers would be reduced on the trade in goods originating in the territories of the Member countries. Having referred to the individual country schedules and to the basic schedule which would cover these reductions, Mr. Margarinos said that the draft treaty also covered such matters as complementary agreements on specialization and industrial co-ordination, the practical implementation of the treaty, emergency measures, special measures relating to balance-of-payments problems, system of payments, investment and transport policies, etc.

The countries concerned believed that the treaty would be an important starting point towards a high level of production more rationally spread within the area. The liberalization of trade would widen competition and offer better incentives for real economic co-ordination, the result of which

would be higher incomes and standards of living for the populations of Member countries. The fundamental condition for the success of the treaty was economic stabilization in the individual countries concerned; already, to a greater or lesser extent, these countries, with the advice of the International Monetary Fund, had undertaken substantial foreign trade policy and customs reform. Finally, Mr. Margarinos said that the draft treaty would not have harmful effects on the trade of Member countries with third countries. On the contrary, the economic strengthening of the area would increase its need for commodities, manufactured articles, capital goods, and technical assistance, which could only be obtained from a number of traditional suppliers.

Mr. DA SILVA (Brazil) said that a second conference between the seven Latin American countries concerned would be held in Montevideo during the first half of February 1960. There were solid grounds for believing that complete agreement on the final text of a treaty would then be reached and he hoped, therefore, that in the course of the sixteenth session of the CONTRACTING PARTIES the countries concerned would be able to announce the results of their negotiations.

In reference to certain aspects of the proposed arrangement, Mr. da Silva pointed out that the population of the seven countries concerned now amounted to over 100 million. Considerable sections of that population had comparatively low standards of living and, as social unrest could arise in such circumstances, this was a matter of considerable concern to the governments of the area. The high rate of population growth gave rise to additional concern. In such circumstances, industrial development was the only course open to less-developed countries bent on securing a satisfactory rate of economic growth. This, however, was becoming increasingly dependent on the capacity of these countries to import. In the case of the seven countries covered by the draft treaty, for each unit of domestic investment made nearly half had to be obtained from abroad in the shape of capital goods. Further, in the process of development, there was increasing dependence on the importation of raw materials, intermediate products and knowhow. Meanwhile, the expansion of exports needed to finance imports was made difficult by the conditions inherent in the trade in primary products, and by restrictive measures imposed by importing countries. He pointed out that after averaging, in the period 1948-1955, an approximate annual total of \$3.5 billion, the exports of the seven countries, due to the deterioration in the terms of trade, had dropped from 3.6 billion in 1956 to 3.4 billion in 1957 and 3.1 billion in 1958. The increase in the per capita national product, which averaged about 2.7 per cent in the 1948-1955 period, dropped to 1.1 per cent between 1956-1958. These difficulties were well known to the CONTRACTING PARTIES, but he wished to stress that they precluded a rate of investment likely to offset demographic growth by an increase in the national product.

The deterioration in the terms of trade of primary exporting countries not only had an adverse effect on the rate of growth of the net product but also had other disturbing economic repercussions, in particular by creating inflationary pressures. In such circumstances import substitution was the only course open to the countries concerned. The proposed free trade area would, through co-ordination and expansion of reciprocal trade, permit a better utilization of factors of production, thus increasing the capacity of the countries concerned to import both from within the area and from outside. By widening the market, by broadening the field where new productive activities could be established, and by fully utilizing available factors of production, the seven countries would be able to speed up the process of industrialization and thus reduce their complete dependence on the export of primary commodities. The result would not be a reduction but an increase in their total trade with third countries; such an increase would be dependent only on the financial capacity of the area as determined by the level of their exports to industrialized countries.

In view of the above considerations particular attention had been paid, when considering the draft treaty, to the problems which arose out of the marked inequality among the economic structures of the participating countries. It was beyond doubt that the progressive removal of tariff and non-tariff barriers would contribute to an expansion of intra-regional trade with consequential benefits to all Member Countries. However, objectives broader than the mere expansion of the present currents of trade had inspired the movement towards progressive economic integration. Mr. da Silva described some of the measures provided for in the draft treaty which were designed to foster the economic growth of the less-developed countries within the area. In giving full support to the proposal for a free trade area, Brazil was convinced that a policy of international co-operation should be adjusted to the economic realities of the day.

Mr. MERINO (Chile) pointed out that the fact that a draft agreement had been formulated in Montevideo underlined the hope that a treaty would be implemented and he hoped that this would occur early in 1960 after the second Montevideo conference. The countries in the area which were also GATT members had been particularly careful to abide by their international commitments; this was why the draft treaty had been formulated in conformity with what those countries believed to be the spirit and letter of the relevant provisions of the General Agreement. The need to raise the standards of living of the population was an urgent problem common to the whole of South America. It was natural, therefore, that the Latin American

countries should have turned towards economic integration as a means to this end. The scope of the treaty covered the regulation of existing and future trade and aimed to create a propitious climate for trade expansion, having regard to the individual characteristics of the various economies which were to be integrated. It was also sufficiently flexible to give respite, if necessary, to those branches of production which might suffer damage as the result of the adoption of a new system of reciprocal trade. There was no doubt that the expansion of the productive capacity of each country through the establishment of adequate plans and programmes for the utilization of available resources would improve their capacity to trade with third countries. Recent developments such as the establishment of the European Economic Community and the proposals for a European Free Trade Association indicated that there was now in the world a kind of chain reaction in favour of regional integration.

Mr. de la FUENTE LOCKER (Peru) said that the communication and joint statement (L/1092) represented a step towards the progressive economic integration of the countries of Latin America. He referred to "the countries of Latin America" because it was the view of his Government that integration should not be restricted to the formation of a sub-regional grouping which might be detrimental to the interests of countries in the area which were non-members. The aim should be the gradual creation of a common market.

He wished to reiterate the support of his Government for this movement towards economic association and its confidence in the final outcome. This support was unconditional insofar as the objectives of the free trade area were concerned. Naturally, a plan of association having such wide scope involved a certain readjustment of national economic thinking, even before the process of integration took definite form. Peru, therefore, had found it necessary, at the Montevideo conference, to define its attitude insofar as the question of the balance of trade within the area was concerned. The statement made by the representative of Peru had been reproduced on page 29 of the annex to document L/1092. In this connexion the delegation of Peru wished to state that paragraph (b) of the declaration of Peru to be found on page 29 of the English text of the final act (attached to L/1092) should read as follows:

"(b) that it should not intend to establish the obligation of maintaining a balanced trade between each of the Contracting Countries and the rest of the Zone; so that, in order to maintain the balances of trade and of payments in the area, the development of natural trade flows in the area should not be contractually frustrated and that a prolonged disequilibrium in each country's balance of payments with the rest of the world should be avoided if the free-trade area is to operate successfully;"

Mr. MUSICH (Argentina) said that his Government was now actively considering the possibility of seeking membership of GATT. The recent extensive economic and financial reforms in Argentina had increased this possibility. After twenty-eight years of exchange control, Argentina had introduced full convertibility on the first of January of this year, with the aim of creating a completely open financial market with a free, fluctuating exchange rate. In the field of external trade the system of exchange permits, quotas and import or export licenses, and exchange differentials had been abolished. In short, freedom of trade, without restrictions or discrimination of any sort, had been re-established. At the same time Argentina had undertaken a programme of economic expansion in which the petroleum, steel and iron and power sectors had the first priority. To Argentina's natural resources should be added the assistance given by foreign capital, public and private, to which Argentina had given full guarantees and which it treated in precisely the same way as domestic capital. The first results were encouraging. A sum of dollars equal to over a quarter of Argentina's total exports would be, in a short period, saved by the domestic production of petroleum. The participation of Argentina in the proposed economic association between Latin American countries had been facilitated by the abolition of exchange control and the elimination of permits, licences and quotas for imports and exports; a new customs tariff was also being prepared.

Mr. Musich said he had summarized briefly the main features of the present economic policy of the Argentine Government so as to demonstrate the particular interest it attached to the establishment of a free trade area with six neighbouring countries, four among which were already members of the GATT. Argentina, although not a member of GATT, had borne in mind the need for the draft free trade area treaty to conform with the letter and spirit of GATT and had decided to give full support to the presentation by Brazil, Chile, Peru and Uruguay of the text of the draft treaty to the CONTRACTING PARTIES for information.

Mr. Musich said that differences between the legislations of the countries involved, the inequality of economic development and the impossibility of making uniform the commercial treatment accorded to outside countries, precluded the establishment, at the present time, of a customs union between the seven countries. Nevertheless, the customs, monetary and exchange reforms introduced in the seven countries pointed to the need for their reciprocal trade to be covered by a juridical instrument in substitution for the bilateral agreements at present existing between them. To do this, they had decided to establish a free trade area. One of the essential objects of this association would be to substitute for imports of certain items from overseas products which might be produced by countries in the area. The growth of commerce within the area would enable the countries concerned to release buying power which was now directed to intensifying the provision of capital goods and specialized equipment.

Mr. Musich stressed the circumstances in which liberalization of trade was being pursued by highly industrialized countries on the one hand and by Latin American countries on the other. For example, those countries constituting the European Economic Community, before considering the possibility of reducing trade barriers, had re-organized their internal economies on the basis of growing expansion. This had been achieved by a considerable domestic effort, by investment, both public and private, and by strong economic protectionism which was often discriminatory. Once the objective of a strong economy had been achieved, the countries concerned were now in a position to undertake the abolition of charges and barriers that create discrimination and have an adverse effect on international trade.

In Latin America the countries concerned were involved in a programme for the progressive liberalization of their mutual trade. This programme scheduled the gradual and progressive removal of trade barriers. At the same time they were in the process of implementing policies aimed at accelerating economic expansion, mainly on the industrial side, in order to raise the standards of living of their peoples. In this way the seven countries could not but contribute to an expansion of world trade. Their need for specialized equipment and capital goods for industrial development was so great that an intensification of trade with the highly industrialized countries was needed. Moreover, the establishment of the free trade area did not preclude participation in associations of a wider scope, such as a Latin American common market. Such an idea, which involved a greater number of countries, naturally required further study. The co-ordination of the commercial policies of the seven Governments through the free trade area would, however, be a starting point towards a common market. When ECLA'S Committee on Trade met early in 1960 studies relating to the establishment of a common market would be continued. In conclusion, Mr. Musich expressed his Government's full and firm support for the establishment of the free trade area.

Mr. MORIARTY (New Zealand) said that his country had both a general and a particular interest in the subject under discussion. Countries like New Zealand needed to diversify their exports and find additional markets. In recent years New Zealand's trade with some of the Latin American countries concerned had expanded and his Government hoped that it would continue to expand. From the general point of view New Zealand, like other contracting parties, was interested in proposed arrangements for free trade areas and customs unions. The motives underlying the proposals of the Latin American countries were certainly to be commended but New Zealand would be interested in seeing how these proposals were implemented. At the Ministerial meeting the New Zealand representative had said: "It may prove correct that economic integration in Europe will lead to an increased rate of economic growth in those countries and hence to a greater demand for the products of countries outside Europe but this is not a proposition that is self-evident either in general or as it relates to individual commodities. It must always be a matter for careful consideration whether such arrangements will not create serious difficulties for the trade of outside countries."

While it was not the time to comment in detail on the proposed treaty, nevertheless Article XXV of the treaty, regarding agricultural products, gave New Zealand cause for concern. New Zealand would study the final treaty carefully and would express its position fully when the treaty was before the CONTRACTING PARTIES for discussion.

Mr. PARBONI (Italy) referred to the statement by the Chairman, when opening the present session, in which he said "we have been struck by the enthusiasm, I might even say the faith, which animates all those who have taken part in bringing about the realization of these vast plans". In this spirit Member States of the EEC welcomed the new initiative taken by the Latin American countries. They would, Mr. Parboni pointed out, have to face problems which were different from those faced by the EEC. Regional integration would bring about increased economic development and productive activity would take place all the more quickly as capital would be earmarked for the fuller use of natural resources. Other countries could help Latin America in an effective way and the EEC was ready to do this, so as to assist the Latin American countries to reach their objective and achieve a sound expansion of production and a raising of the standard of living of their populations. The EEC had noted with considerable interest the possibility of Argentina acceding to the General Agreement.

Mr. KEARNS (United States) said he was happy to reiterate the statements which his Government had made from time to time supporting the establishment in Latin America of customs unions or free trade areas which satisfied the provisions of Article XXIV of the General Agreement. His Government believed that such arrangements should lead to an expansion of trade on the basis of the convertibility of currencies and non-discrimination in the application of non-tariff quotas and other trade measures. His delegation had noted with satisfaction the intention of the countries concerned to submit further information to the CONTRACTING PARTIES together with a draft of the treaty. The United States viewed with sympathy the efforts of the countries concerned to achieve a multilateral solution to the problems with which they were confronted. Arrangements compatible with the provisions of the General Agreement could contribute to a solution of these problems through the formation of regional markets of a fully competitive and outward-looking nature. His Government would view with sympathy any application submitted by Argentina for accession to the General Agreement and the United States looked forward to a further strengthening of Argentina's trade ties with the rest of the world.

Mr. VARGAS GOMEZ (Cuba) said that Cuba had always viewed favourably co-operation of the kind envisaged, which was a way of fighting the economic evils of the present day. Consistently with this attitude Cuba had followed with interest and sympathy all plans for economic integration. In May 1959, in Panama, Cuba had given full support to Latin American efforts to organize a common market under the auspices of ECLA. Nevertheless, the practical implementation of any plans for economic integration should be guided by certain fundamental principles. The main ones were: (1) the plan for integration should provide sufficient guarantees for third countries that trade liberalization would not only relate to trade between the member states



but also to trade with third countries; (2) all possible efforts should be made, and necessary provisions included in the legal instrument concerned, to avoid creating simply a preferential area, which could come about by achieving an intermediate system without achieving real economic integration; (3) regional integration should be accomplished with the participation of the greatest possible number of countries of the area concerned. The integration of a few countries did not facilitate the integration of the region as a whole; (4) the negotiating phase prior to the formulation of the treaty should be carried out taking full account of the views of other countries in the area independently of the possibility of their eventual participation.

While expressing his Government's sympathetic attitude towards the proposals for a free trade area, Mr. Gomez said he hoped that a clear distinction would be made between those proposals and the general plan for economic integration being studied by ECLA. He also hoped that the policies of the new entity would always have in mind the need to foster the general integration of the region.

Mr. SOLLI (Norway) said that the Latin American plans for economic integration were in keeping with the strong trends towards integration apparent elsewhere in the world. The countries concerned had vast potentialities for economic growth. His delegation was pleased to hear that the proposed free-trade area would not be co-operative in the narrow sense only, and that it was the intention to facilitate trade between the area and the rest of the world. The free-trade area, conforming with the provisions of the General Agreement, would be of benefit to Latin America and to the contracting parties.

Mr. BARTUR (Israel) pointed out that the proposed free-trade area in Latin America was of special significance in that it was the first case of co-operation of this kind among countries undergoing industrialization. However, as in all cases of this kind, the CONTRACTING PARTIES would have to satisfy themselves that the plans proposed did not conflict with relevant provisions of the General Agreement.

Mr. JHA (India) pointed to the differences between the proposed free-trade area in Latin America and the EEC. The proposal represented a bold experiment. It meant that, while these countries proceeded with their industrialization, they would have to bear in mind the need to concentrate on those industries which could produce the most economically in the area; generally, there was a tendency for under-developed countries to concentrate on similar industries. His delegation therefore viewed the proposals sympathetically, although it was very necessary that any arrangement of this kind should be outward-looking. His delegation had no doubt that the countries concerned, who had participated in GATT discussions with the EEC and who in the past had strongly criticized preferences, would take care to ensure that they themselves would not take measures which would make them liable to similar criticism.

Mr. JARDINE (United Kingdom) said that his Government would consider the problems involved sympathetically. As the representative of the Latin American countries concerned were aware, the test of conformity with the spirit and objectives of the GATT was that plans for integration should lead to the creation and not the diversion of trade.

Mr. SVEC (Czechoslovakia) welcomed the efforts made by the Latin American countries to accelerate their economic development. As a traditional trade partner of the Latin American countries, Czechoslovakia had had the opportunity to observe the influence of industrialization in these countries on the development of trade. Despite certain readjustments in the pattern and composition of Czechoslovakia's exports to these countries, following their rapid industrialization since the end of the war, the results had been most satisfactory. Every increase in industrialization and in the standard of living translated itself into an increasing exchange of goods. Czechoslovakia expected that the establishment of the free-trade area in Latin America would result in increased trade within the region and between the region and third countries. For these reasons he assured the countries presenting the plan of Czechoslovakia's support.

Mr. STONER (Canada) said that his delegation appreciated the magnitude and importance of the establishment of a free-trade area in Latin America. They looked forward to studying the further information which would be submitted to the CONTRACTING PARTIES when the treaty was in a more concrete form. His delegation would study these proposals with sympathy and in a manner consistent with the attitude which his Government had taken towards other existing or proposed regional groupings, namely that they should be reviewed judiciously by the CONTRACTING PARTIES in relation to the objectives and obligations of the General Agreement and the desire to expand world trade.

The CHAIRMAN pointed out that the four contracting parties participating in the proposed free-trade area had stated their intention of submitting the final text of the treaty to the CONTRACTING PARTIES. He proposed that the CONTRACTING PARTIES should take note of the statements which had been made.

This was agreed.

## 2. Status of the Agreement and Protocols (L/1091)

The CHAIRMAN invited the Executive Secretary to comment on the report on the Status of Agreement and Protocols (L/1091) which he had submitted to the CONTRACTING PARTIES.

The EXECUTIVE SECRETARY pointed to a number of practical problems which arose from the failure to secure action on the ratification and entry into force of some of the instruments which were the subject of the report. He referred first to the Protocols of amendment which had been drawn up and submitted to governments during the course of the Review Session. It should be a matter of considerable concern to the CONTRACTING PARTIES as a whole that a number of amendments of a basic character had not yet entered into force, while a number of others were not applicable to all contracting parties since they had only entered into force for those governments which had accepted them. Article XVIII, for example, fell into this latter category. In view of the scheduled bi-annual balance-of-payments consultations in 1960 with those contracting parties which were less-developed countries, it was desirable that this basic Article, which determined the conditions of their participation in the General Agreement, should be in force for all the countries concerned.

The Executive Secretary then referred to the modification of Article XXX of the General Agreement which had been agreed upon during the Review Session, permitting modifications and rectifications to the customs treatment provided for in the schedules by a simple process of certification. Although this might appear to be relatively unimportant from the point of view of principle and policy, it was nevertheless a matter of considerable practical concern. The fact that a small minority of contracting parties had not yet felt able to give their assent to the amendments of Part I of the General Agreement, was delaying what would be a considerable improvement in the procedures of the CONTRACTING PARTIES by ensuring that the legal language contained in the schedules accurately and promptly reflected the customs treatment provided for in the General Agreement. He urged the contracting parties concerned to accept at an early date the amendments to Part I and Articles XXIX and XXX. Acceptance of these amendments would give the CONTRACTING PARTIES a single text of the General Agreement applicable on an equal basis to all contracting parties and would bring into operation the certification procedures for rectification and modification of schedules.

Turning to the Agreement on the Organization for Trade Co-operation, the Executive Secretary reiterated his concern that the continued non-acceptance of the Agreement establishing the CTC deterred the CONTRACTING PARTIES from making necessary organizational and institutional arrangements. He thought that if a closing date for signature of this Agreement were to be fixed it should be for a short period only, preferably not extending beyond the end of the next session of the CONTRACTING PARTIES.

The Executive Secretary said that he had in the past pointed to a serious defect in the General Agreement resulting from the continued provisional application of the General Agreement under the Protocol of Provisional Application. Today, four years after the Review Session, no government had, to his knowledge, taken steps to accept the Agreement definitely under Article XXVI, even though arrangements had been made at the

Review Session to enable this to be done without any substantive change in the legal obligations of the CONTRACTING PARTIES. This shortcoming in the General Agreement was all the more important now that it appeared to have become accepted as a permanent and basic part of international machinery. It was a source of weakness to the authority of the General Agreement that so basic an instrument of international co-operation continued to be applied by its members on the basis of a purely temporary arrangement made as long ago as 1947. He had, therefore, reverted to this matter again, in the hope that the CONTRACTING PARTIES would now take a somewhat different view of its importance.

Mr. JHA (India) said that limiting the date for the signature of the Agreement on the OTC to the sixteenth session could only be decided upon if it was known whether it was possible for the United States Government to take a decision within that time. It seemed to him that no favourable decision would be forthcoming within that period. In that case the limitation would have no meaning. He expressed the hope that it would be possible for the United States to ratify the Agreement on the OTC which, in his opinion, had been devised with great care to take into account the legislative and procedural difficulties which the United States Government might have to face.

Mr. KEARNS (United States) said that the United States Government remained conscious of the advantages which would flow from the establishment of the OTC. He proposed therefore that any time-limit for signature should be for as much as two years, as it was unlikely that by the end of the next session there would be any substantial change in the position of his Government.

The EXECUTIVE SECRETARY said that there would be an opportunity to discuss the matter again at the next session. Nevertheless, he would not press his suggestion.

Mr. SWARD (Sweden), Mr. KASTOFT (Denmark) and Mr. SOLBERG (Norway) supported the Executive Secretary in his appeal to accept the OTC Agreement and the Protocols as quickly as possible.

Mr. de la FUENTE LOCKER (Peru) said that he would communicate to his Government the urgent appeal of the Executive Secretary. In the meantime he wanted to announce his Government's readiness to sign the Seventh and Ninth Protocols of Rectification, the Declaration on Provisional Accession of Switzerland, the Protocol Relating to Negotiations for the establishment of New Schedule III - Brazil, the Declaration on Relations between contracting parties and Yugoslavia, and the Declaration on the Provisional Accession of Israel and to notify acceptance under the Decision relating to the application of the General Agreement to Cambodia.

Mr. da SILVA (Brazil) said that Brazil was ready to sign the Fifth, Sixth, Seventh, Eighth and Ninth Protocols of Rectification, as well as the Declaration on Relations between contracting parties and Yugoslavia. At the same time his delegation hoped that action would soon be taken with regard to the Declarations on the provisional accession of Switzerland and Israel.

The CHAIRMAN suggested that the time-limit for the signature of the Protocol Amending Part I and Articles XXIX and XXX, the Protocol Amending the Preamble and Parts II and III, the Protocol of Organizational Amendments and the Protocol of Rectification to the French Text be extended until the end of the second week of the seventeenth session. He asked the Executive Secretary to prepare a draft decision for approval by the CONTRACTING PARTIES at a later meeting.

This was agreed.

### 3. Nicaraguan Import Duties (L/983)

The CHAIRMAN said that, in April 1959, the Government of Nicaragua had advised the CONTRACTING PARTIES of certain measures it proposed to take, including a temporary increase in certain customs duty rates. The matter had been placed on the agenda for the fourteenth session, but consideration of it had been postponed at the request of the Nicaraguan Government until the present session. As the communication from the Nicaraguan Government referred to certain elements in its balance of payments and to a threat to its monetary reserves, it was assumed that the CONTRACTING PARTIES, in considering the matter, would wish to consult fully with the International Monetary Fund as required by paragraph 2 of Article XV. The International Monetary Fund had accepted the invitation to consult with the CONTRACTING PARTIES in this connexion and had supplied certain documents which had been circulated to delegations.

Mrs. DE RODRIGUEZ (Nicaragua) said that, by Legislative Decree No. 409, dated 11 March 1959, the Government of Nicaragua had raised the customs duty on a certain group of items, including several with respect to which concessions had been granted in the GATT, in order to offset a decline in foreign exchange reserves. The proposed increases on GATT scheduled items had, however, not been implemented pending the presentation of this matter to the CONTRACTING PARTIES. Nicaragua requested the CONTRACTING PARTIES to grant it a waiver from its obligations under Article II, so as to permit these increases to be made effective for the purpose of eliminating the certain danger of diminishing monetary reserves caused by the consistent decrease in prices of coffee and cotton which constituted 70 per cent of Nicaraguan exports. The text of Legislative Decree No. 409 would be made available to contracting parties. In addition, three tables bearing on the external payments position of Nicaragua were being circulated - Spec(59)273. These gave certain statistical information about cotton and coffee and about Nicaragua's foreign trade in the period 1950-58.

In view of the seriousness of the situation, Nicaragua had submitted the request for a waiver to permit increases in duties on GATT scheduled items. These increases would be progressively reduced when the imminent danger of diminishing monetary reserves had been reduced. The balance of payments and monetary reserves position of Nicaragua were already known to

the CONTRACTING PARTIES, having been clearly brought out in the last consultation between Nicaragua and the International Monetary Fund. The Fund had stated that Nicaragua's international reserves were at a very low level.

It should be further pointed out that Legislative Decree No. 409 had increased the consular fee from 5 per cent to 7 per cent on f.o.b. prices. Such fees were not negotiated through GATT and the Government of Nicaragua, in a letter addressed to the secretariat of GATT, had reserved the right to increase such duties when deemed necessary and urgent.

The CONTRACTING PARTIES had authorized measures similar to that proposed by Nicaragua in the case of Peru by a Decision of 21 November 1958 and in the case of Chile by a Decision of 27 May 1959. In conclusion, Mrs. de Rodriguez emphasized that Nicaragua's action was an emergency measure which was necessary in order that it might regain and maintain its economic stability.

Mr. ANDERSON (International Monetary Fund) said that the Fund had transmitted to the CONTRACTING PARTIES the results and background material from the last consultation with Nicaragua under Article XIV of the Fund Agreement. This consultation was concluded on 24 June 1959. In addition, the Fund had transmitted a brief supplementary paper to supply background information on developments in Nicaragua since the conclusion of that consultation. This supplementary paper was dated 23 September 1959 and, together with the material of the last Fund consultation, had been distributed to the contracting parties. The Fund invited the attention of the CONTRACTING PARTIES to the results of its last consultation with Nicaragua. In those results it was stated that the payments deficit in 1958 had reduced Nicaragua's international reserves to a very low level. Monetary reserves had continued to be at a very low level since the conclusion of the Fund's consultation. The Government of Nicaragua was pursuing certain policies in the fiscal and credit field designed to restore internal equilibrium and to strengthen the balance-of-payments position. The Fund was satisfied that the likely fiscal and monetary effects of the various measures being undertaken, including the increase in import duties, were not more than were consistent with the success of that programme. While the Fund had encouraged Nicaragua to implement firmly these policies, it was made clear in discussion between the Fund and Nicaragua that the increase in duties was a matter to be taken up with the CONTRACTING PARTIES.

The CHAIRMAN proposed that this matter should be referred to a working party with the following terms of reference and composition:

#### Terms of Reference

In the light of the discussions in the plenary meeting to examine the Nicaraguan request for a waiver from its obligations under Article II in respect of the items listed in the Nicaraguan communication and to make recommendations to the CONTRACTING PARTIES.

Chairman: Mr. ELSON (Federal Republic of Germany)

<u>Composition:</u>	Brazil	Israel	United Kingdom
	Canada	Nicaragua	United States
	Chile	Sweden	Uruguay
	France	South Africa	

This was agreed.

#### 4. Brazilian Waiver - Extension of Time-limit (W.15/16)

The CHAIRMAN recalled that on 30 October (SR.15/7) the CONTRACTING PARTIES had agreed to meet the request of the Brazilian delegation for an extension of the time-limit in the waiver granted to Brazil under the Decision of 16 November 1956. The Executive Secretary had prepared a draft decision (W.15/16) for approval by the CONTRACTING PARTIES.

The decision was adopted by thirty-three votes in favour and none against.

#### 5. Brazil Tariff Negotiations

The CHAIRMAN pointed out that the Tariff Negotiations Committee had reported to the CONTRACTING PARTIES both verbally through its Chairman and in writing (TNB.26 and TNB.27). With these reports the Committee had transmitted to the CONTRACTING PARTIES schedules embodying the results of the negotiations.

At the fourteenth session some delegations had expressed the desire, pursuant to paragraph 3 of the Decision of 16 November 1956, to make comments on the results of the negotiations and on other action taken pursuant to the Decision. The first sentence of paragraph 3 of the Decision read as follows: "As soon as the negotiations referred to in paragraph 1 above have come to an end, the Brazilian Government and other negotiating contracting parties shall submit to the CONTRACTING PARTIES a report on the results of the negotiations and on other action taken in pursuance of this Decision."

Mr. JARDINE (United Kingdom) said his delegation was pleased to note that Brazil had been able to implement to a large extent the assurances it had given when the Decision was made in 1956. However, his delegation had certain reservations regarding the question of consular formalities. While welcoming the fact that, following a Decree of 3 December 1957, separate consular invoices were no longer required, they regretted that Brazil had not yet been able to comply fully with the 1952 and 1956 recommendations of the CONTRACTING PARTIES regarding consular fees. In this connexion he also pointed to the provisions of Article VIII of the General Agreement. Consular fees continued to be charged in relation to the value of goods imported. Moreover, the Decree of 3 December 1957 provided that the full rate should again be charged for amended invoices, whereas formerly a flat rate was charged irrespective of value. While

welcoming the actions Brazil had taken in connexion with assurances given in the waiver, he hoped that it would be possible for Brazil to give an assurance that the arrangements for consular fees would soon be brought into conformity with the recommendations of the CONTRACTING PARTIES.

Mr. KEARNS (United States) wished, like the United Kingdom representative, to comment on invoices. Although the requirement for consular invoices had been eliminated, his delegation regretted that some of the problems connected with such invoices remained. Much of the data formerly required on consular invoices, the steeply graduated fees required for legalization and the heavy penalties for correcting errors on such documents applied in similar manner to commercial invoices. His Government hoped that Brazil would make substantive progress in the near future to come more in conformity in this respect with Article VIII and with the recommendations of the CONTRACTING PARTIES. However, in connexion with the assurances which Brazil had given, it was particularly gratifying that Brazil had completed the elimination of discriminatory internal taxes.

Mr. DA SILVA (Brazil) said he would report the comments which had been made on consular fees to his Government which, he was sure, would give them proper attention.

In the absence of further comment, the CHAIRMAN closed the discussion.

#### 6. Greek Tariff Reform (L/1050)

The CHAIRMAN said that the Greek Government was carrying out the tariff reform which it had announced to the CONTRACTING PARTIES at the end of 1957. He explained that insofar as the reform involved the adoption of the Brussels nomenclature the Greek Government, in accordance with a Decision of the CONTRACTING PARTIES taken at the fifth session, only had to follow the rectification procedure. With regard to the modification of concessions, the Greek Government had invoked paragraph 5 of Article XXVIII and could therefore proceed to renegotiate them at any time without asking the authority of the CONTRACTING PARTIES. The Greek Government had pointed out, however (L/1050), that the revised customs tariff would soon be submitted to Parliament and would enter into force as soon as it was enacted. Since, in the view of the Greek Government, there would not be time for negotiations under Article XXVIII before the new concessions entered into force, it had asked to be authorized to put into force the new tariff in its entirety before the negotiations under Article XXVIII had taken place.

Mr. HADJI VASSILIOU (Greece), explaining the reasons for the revision of the Greek tariff, stated that the considerations on which the revision was being pursued by the Greek Government were the following: (1) reduction of customs duties on raw and subsidiary materials, including chemical products; (2) reduction of customs duties on items of industrial equipment necessary to renovate and develop existing industries; (3) increases in protection might take place if the protected industry satisfied certain requirements; (4) the necessary protection would be secured whenever possible



by establishing an alternative duty (ad valorem or specific) instead of by an increase of import duty. In such circumstances it was quite clear that the revision did not imply a systematic and general increase of import duties. Where increases occurred, they would be moderate and would take into account both the needs of the Greek economy and Greece's contractual obligations.

The reform necessarily entailed modifications for a number of concessions in Schedule XXV. Greece had therefore resorted to the provisions of Article XXVIII:5 of the General Agreement and reserved the right to modify or withdraw a number of such concessions in accordance with paragraph 1 to 3 of Article XXVIII. Mr. Hadji Vassiliou drew the attention of the CONTRACTING PARTIES to the following facts: (1) Modifications to Schedule XXV would be made in the context of a general revision of the tariff structure and nomenclature; (2) The new tariff would be submitted to Parliament very shortly and on a date which would permit legislative action to be rapidly completed; (3) For constitutional reasons the revised tariff had to be applied simultaneously with its submission to the Parliament; (4) Pursuant to the provisions of Article XXV:5(a) of the General Agreement, the Greek Government was asking the CONTRACTING PARTIES for authority to suspend the application of the provisions of Article II of the General Agreement to the extent necessary to enable Greece to put into effect the revised tariff from the moment of its submission to Parliament; (5) Concurrently with the application of the new rates of duty on items which were the subject of concessions in Schedule XXV, the Greek Government was prepared to apply the rates of duty offered as compensation for the concessions modified or eventually withdrawn; (6) The Greek Government would promptly enter into negotiations or consultations with interested contracting parties pursuant to paragraphs 1 to 3 of Article XXVIII. The negotiations would have to take place within a reasonable period of time and be completed by the end of the sixteenth session.

In conclusion Mr. Vassiliou having pointed to the numerous precedents which had already been established, particularly that of New Zealand covered by the Decision of 30 November 1957, said he hoped the CONTRACTING PARTIES would agree that the course followed by his Government was the only possible one in the circumstances.

Mr. GARRONE (Italy) said that it would be premature to pass a complete judgment on the Greek request before the new tariff had been submitted to CONTRACTING PARTIES. Speaking on behalf of the EEC, he said that the Community would nevertheless not oppose the Greek request being viewed favourably by the CONTRACTING PARTIES. EEC Member countries would propose negotiations under Article XXVIII only if compensation offered on bound items proved unsatisfactory.

Mr. CUHRUK (Turkey) said that, while the adoption of the Brussels nomenclature by Greece was technically important, it would have been more satisfactory if the Greek Government could have first fulfilled its obligations under the General Agreement before proceeding with the revision

of its schedule of concessions. He understood, however, that Greece was obliged under the Greek Constitution to implement the new tariff before consultations and negotiations under Article XXVIII could be held. He hoped that the CONTRACTING PARTIES would receive the necessary assurances regarding compensation and that the revision would take account of the procedures usually followed by the CONTRACTING PARTIES. On this assumption his delegation would support the Greek request.

Mr. MORIARTY (New Zealand) said his delegation fully understood the problems facing countries whose tariff did not meet modern needs. For this reason his delegation supported the request submitted by Greece, on the understanding that the new schedule would be subject to negotiation as soon as possible after the introduction of the new tariff.

Mr. PROPPS (United States) said that his Government felt some concern about the practice of granting waivers permitting tariff changes in advance of negotiations. His delegation was persuaded, however, that the circumstances of this case warranted the granting of a waiver along the lines suggested by the representative of Greece.

Mr. MERINO (Chile) supported the Greek request.

Mr. SWARD (Sweden) said that, although his delegation fully understood the need for Greece to revise its tariff, they regretted that negotiations could not take place before the new customs duties were to be put into effect. It was premature to pass judgment on the new tariff. He would point out, however, that approval of a waiver did not presuppose that all contracting parties also approved the tariff.

Mr. VARGAS GOMEZ (Cuba) supported the request submitted by Greece.

Mr. TREJ (Austria) said that his delegation could not make a final decision before studying the new tariff. He felt that the case should be considered on its merits, and he reaffirmed the position which his Government had taken in similar cases. He reserved his Government's right to take any necessary action consequent upon the application of Article XXVIII.

Mr. HADJI VASSILIOU (Greece), commenting on the statements of the Swedish and Austrian representatives, pointed to the large trade deficit which Greece had with these two countries. Greek exports to Sweden represented only about 5 per cent, and those to Austria approximately 50 per cent, of total imports into Greece from those two countries respectively.

Bearing in mind his Government's record and the fact that all necessary guarantees had been given, he considered that the reservations made were unfounded. His Government was ready to enter into consultations with those contracting parties which found the compensation offered unsatisfactory.

The CHAIRMAN said that, from the comment made, it appeared that there was a general sentiment in favour of the request. Contracting parties would have an opportunity to express further their opinion on this matter at a later stage.

The meeting adjourned at 6.10 p.m.