

GENERAL AGREEMENT ON TARIFFS AND TRADE

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CONTRACTING PARTIES
Seventeenth Session

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SUMMARY RECORD OF THE SECOND MEETING

Held at the Palais des Nations, Geneva,
on Tuesday, 1 November, at 3 p.m.

Chairman: Mr. TORU HAGUIWARA (Japan)

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1. Temporary importation of professional equipment

The CHAIRMAN recalled that, at the sixteenth session, a Group of Experts was appointed to examine a draft customs convention on the temporary duty-free importation of packing materials and also a preliminary draft of a convention on the temporary importation of professional and cinematographic and television equipment. The comments and recommendations of the experts were forwarded by the CONTRACTING PARTIES to the Customs Co-operation Council in Brussels which had prepared the drafts. The Convention on packing materials had now been opened for signature and a revised draft of the convention on professional equipment had been sent to the CONTRACTING PARTIES by the Customs Co-operation Council for further examination.

The Chairman proposed that the Group of Experts be re-appointed with the following terms of reference:

"to examine the draft customs convention on the temporary importation of professional equipment and to submit recommendations to the CONTRACTING PARTIES before the close of the seventeenth session."

He also proposed that Mr. MNLART (Austria) should be Chairman of the Group of Experts and that the members of the Group should be determined by the Executive Secretary in consultation with interested delegations; the names of the members would be announced later.

This was agreed.

Mr. SWAMINATHAN (India) explained that bona fide packings and containers were not separately assessed for duty when entering India unless they had high separate values, in which case they were assessed as separate goods at the appropriate rate of duty. Duty was payable only on the first entry of containers imported under any turn-round arrangements. The convention on the temporary importation of packing materials, however, envisaged temporary importation of containers duty-free even in the first instance. Apart from the loss of revenue implied by the proposal considerable practical, administrative difficulties were likely to arise.

Referring to the draft convention on the importation of professional equipment, Mr. Swaminathan said that, for similar reasons, his Government would find itself unable to join the convention as at present drafted; it therefore would have to reserve its position and, in the event of its deciding to sign the convention at some later date, would have to ask for the right to attach such reservations as might be necessary.

The CHAIRMAN said that the Group of Experts would, of course, be interested to hear the views of the Indian delegation and of any other delegation on the conventions.

2. United States agricultural import restrictions - sixth annual report
(L/1310)

The CHAIRMAN referred to the sixth annual report (L/1310) submitted by the United States Government under the Decision of 5 March 1955. He drew attention to paragraph 6 of the "conditions and procedures" annexed to the Decision under which the United States was required to submit a report showing "..... any modification or removal of restrictions effected since the previous report, the restrictions in effect under Section 22 and the reasons why such restrictions (regardless of whether covered by this waiver) continue to be applied and any steps it has taken with a view to a solution of the problem of surpluses of agricultural commodities."

Mr. ADAIR (United States), in submitting his Government's report (L/1310) covering the period from the fifteenth session until 1 September 1960, explained that it described, first, any modification or removal of restrictions effected during the reporting period, secondly, restrictions currently in effect, thirdly, the reasons why such restrictions, regardless of whether they were covered by the waiver, continued to be applied, and, fourthly, the steps taken during the reporting period with a view to solving the problem of surplus agricultural commodities. Mr. Adair described action (see pages 3 and 4 of the report) taken by the President concerning restrictions on imports of certain cheeses, almonds and articles containing cotton, following

investigations and reports by the United States Tariff Commission. Mr. Adair went on to say that, since his Government's report had been submitted to the CONTRACTING PARTIES, the Tariff Commission had re-examined the need for restricting imports of tung nuts and tung oil and had reported that an extension of import restrictions was necessary in order to prevent interference with the price support programme for tung nuts. It had recommended a quota of one year's duration and a quantity limitation of 14,000,000 lbs. On 27 October the President issued a proclamation extending for three years the existing quota of 26,000,000 lbs. on imports of tung nuts and tung oil. In conclusion, Mr. Adair listed the items on which import regulations under Section 22 of the Agricultural Adjustment Act were currently in effect (see page 4 of the report). He said that despite the progress made as a result of the programmes described in the report, it was necessary to continue these controls although, as had happened for example in the case of certain cheeses, controls would be relaxed or removed whenever a change of circumstances permitted.

Mr. THRANE (Denmark) regretted that the report revealed that the progress made was practically as slow as in earlier years. Despite the efforts of the United States in many fields the impression gained from the report was that, unless more radical steps were taken, the need for the maintenance of import restrictions would continue more or less indefinitely; this was not an encouraging prospect for an agricultural exporting country like Denmark. The most important basic problem was the high level of price support in the United States; as long as this high level was maintained the imbalance between supply and demand would persist. Further, United States efforts to place food at the disposal of needy people, while very commendable, would only have marginal effects on the basic problems of United States agriculture. Denmark welcomed the action taken by the United States to remove import restrictions on articles containing cotton, and on almonds, at least during the 1959/60 marketing year, and the enlargement of quotas on some Dutch and Italian cheeses. It was to be regretted, however, that quotas on other types of cheese, such as blue-mould cheese, had not similarly been increased; Denmark found this discrimination unacceptable. The Danish Government also hoped that the extremely small, unrealistic quota for butter would be increased; the present position had the effect of nullifying the tariff concession on butter which Denmark had negotiated at Annecy. In conclusion, Mr. Thrane said that his delegation would raise other points in the working party which he assumed would be established.

Mr. GRANDY (Canada) said that, at this stage, he would not comment at length on the United States report which, presumably, would be examined by a working party. He agreed with the representative of Denmark that the report did not show much progress. In reference to the action taken by the United States in regard to imports of certain cheeses, Mr. Grandy said it was regrettable that the restrictions on other types of cheeses, such as cheddar cheese, had not also been relaxed.

Mr. TAYLOR (New Zealand) said that, while reserving for the working party discussion New Zealand's detailed comments, he wished to make clear at this stage the disappointment of his Government that the United States report did not show greater progress in the direction of a relaxation of import restrictions, particularly on dairy products. Indeed, the recent decision of the Legislature to increase substantially the price support for dairy produce had reversed the earlier trend. New Zealand hoped that the current high support levels for dairy products would not continue beyond the current production year and that any new price levels established would be lower than those which operated until mid-September 1960. In New Zealand's view, it was a matter of considerable importance that a major trading nation like the United States should do everything possible to give a lead in creating opportunities for the primary producing countries to expand their markets. Over the years New Zealand and other contracting parties had referred to the token nature of existing United States import quotas for dairy products and the scope that existed for a considerable increase in those token quotas without such increases having any discernible effect on the United States internal position. New Zealand felt that this was a matter which remained of considerable importance and that the United States could do more than it had done to increase these quotas. Moreover, New Zealand was deeply concerned lest the increases now made in dairy products support prices should lead to the creation of additional uneconomically produced surpluses which could result in further problems in the field of surplus disposal. Mr. Taylor said that these were a few of the considerations his delegation would have in mind during the working party discussions and he expressed the hope that the United States representatives would be able to give contracting parties more hopeful assurances for the future.

Mr. TOWNLEY (Rhodesia and Nyasaland) expressed his Government's great regret that United States restrictions on imports of tung nuts and tung oil had been extended for at least a further three years. The pattern and volume of the Federation's sales of these commodities to the United States had been materially affected and his Government felt that it was prejudicial to a small producer like the Federation to be included in a global quota for residual producers.

Mr. PHILLIPS (Australia) reserved his delegation's detailed comments until the examination of the United States report in a working party and the subsequent discussion in plenary.

Mr. LACARTE (Uruguay) said that, while certain aspects of the United States programmes referred to in the report were to be commended, some of the items subject to import restrictions, such as wheat and wheat products, flax-seed and linseed oil, and peanut oil, were of substantial significance to Uruguay's economy. It was to be hoped that the United States would find it possible to liberalize their imports of these and other items.

Mr. HARTOGH (Netherlands) said that the steps taken by the United States to reduce the scope of some restrictions had confirmed the confidence expressed by his delegation during the fifteenth session. Yet the position could not be described as altogether satisfactory, as it had been hoped that more progress would have been made in the dairy sector.

The CHAIRMAN proposed that, as on previous occasions, a working party on agricultural waivers should be set up to which the United States report (L/1310) and, in due course, other agenda items could be referred. The working party would have the following terms of reference and composition:

Terms of reference:

To examine the sixth annual report by the Government of the United States (L/1310) under the Decision of 5 March 1955 and to report thereon to the CONTRACTING PARTIES.

Composition:

Chairman: Mr. B. SWARD (Sweden)

Australia	Czechoslovakia	Indonesia	New Zealand
Belgium	Denmark	Italy	Spain
Brazil	Ghana	Luxemburg	United Kingdom
Canada	Greece	Netherlands	United States
Chile	India	South Africa	Yugoslavia

This was agreed.

3. Financial, budgetary and administrative questions (L/1262 and Add.1-2, L/1267, L/1286, L/1314)

The CHAIRMAN said it was customary at the last session in each year to establish a working party to examine the audited accounts for the previous year, the financial position in the current year and the Executive Secretary's estimates for the following year. On this occasion there was also the problem of accommodation for the secretariat to which the CONTRACTING PARTIES should give some consideration.

The EXECUTIVE SECRETARY drew attention to the statement which he had made in September to the Council and which had been reproduced as document L/1262/Add.1. This statement set out the broad considerations which had led to the presentation of substantially increased budget proposals. However, as he had emphasized in that statement, although the increases in expenditure for 1961 were substantial in relative terms, the total figure for the budget remained extremely moderate in his view, having regard to the scope of the organization and the responsibilities of the CONTRACTING PARTIES. Therefore, neither the statement which he made to the Council nor the further clarifications he had subsequently given should be considered as being in any sense an apology; they were simply explanations.

The Executive Secretary, in reference to the surprise which some contracting parties had expressed at the proposed abrupt increases in expenditure, pointed out that, as long ago as 1956, he had drawn the attention of the contracting parties to the extremely unsatisfactory nature of the budgetary and administrative arrangements; he had likewise drawn attention to this problem at each session in subsequent years. The fact that he had not insisted that more specific attention be paid to the problem over the past few years was due to the fact that, as long as there was a hope and possibility that the Organization for Trade Co-operation would come into being, there was some logic in delaying the overhaul of the budgetary and administrative arrangements so as to permit these to be dealt with in connexion with the establishment of the new organization. Fortunately for the success of the General Agreement and its objectives, the absence of this formal organization had not prevented the additional responsibilities to which he had referred in the documents before the contracting parties from devolving upon the CONTRACTING PARTIES. The result had been a very rapid expansion in the volume of work with the budgetary and administrative arrangements remaining more or less static. The Executive Secretary said it was true that, at the sixteenth session, he had not dissented from the view that the build-up of the secretariat could be spread over a number of years, but this was an error of judgment which resulted from the inability of himself and of other senior members of the secretariat to give the time required for the proper consideration of this important question.

The Executive Secretary referred to requests made to him at the time of the Council meeting that, because of the practical problem which would arise in gaining acceptance of the proposed budget increases by national Treasuries, he should reconsider the budget and attempt a reduction in the proposed estimates.

He could not accept the request in that form. He considered the budget proposals to be fully justified and a minimum requirement and he would therefore ask the contracting parties to consider them on their merits and to come to a judgment upon them as budget proposals. If, when it came to a question of ways and means, it proved in fact impracticable to allocate the total sum necessary to give effect to the budget proposals as approved, he would then be prepared to study with the working party the modifications in the work programme of the CONTRACTING PARTIES which would be necessary to achieve a financial saving.

Against this background the Executive Secretary referred to document L/1262/Add.2, and particularly to page 14 of that document, which he had distributed following his discussion with representatives of the contracting parties at the meeting which had been decided on by the Council and which took place in October. From document L/1262/Add.2 it would be seen that some reduction in the appropriation asked for, with a consequential reduction in the contributions previously proposed, could be effected. This pruning had only been achieved with the greatest difficulty, however, and involved a postponement in the recruitment of certain personnel for whom there was more than adequate justification and a reduction in what would normally be considered a normal margin of reserve for other items.

In conclusion, the Executive Secretary said that Mr. Royer had now reached the age of retirement. He had, however, agreed to make his services available until the end of the Tariff Conference after which he would also be available as a consultant for special assignments. The Executive Secretary said it was his intention to appoint as one of the Assistant Executive Secretaries the person who would eventually succeed to the office of Deputy Executive Secretary. When this change-over took place, the funds available for the Assistant Executive Secretary for the remainder of 1961 would be available to remunerate Mr. Royer for such special assignments as he might undertake.

Mr. DE BESCHE (Sweden) strongly supported the Executive Secretary's budget proposals. The GATT budget had always been very modest and the cost to governments was exceedingly small compared with the results achieved.

Mr. VALLADAO (Brazil) warmly endorsed the views expressed by the representative of Sweden. In the view of the Brazilian delegation the budget proposals were completely realistic.

Mr. GRANDY (Canada) likewise supported the budget proposals and expressed the hope that the contracting parties would be able to give them full support.

Mr. OLDINI (Chile) said he fully recognized that there was an urgent need to increase the staff of the secretariat. The original budget proposals, however, would have involved a considerable burden for certain contracting parties and his delegation were therefore grateful to the Executive Secretary for the efforts he had made to meet their difficulties. He felt the budget proposals, as now presented, deserved the support of all the contracting parties.

Mr. SATO (Japan) reiterated the support for the budget proposals which the representative of Japan had expressed at the meeting of the Council.

Mr. DE SMET (Belgium) said that his delegation had been among those which, for purely internal budgetary reasons, had requested the Executive Secretary to attempt a small reduction in the budget. His delegation were grateful to the Executive Secretary for his efforts in this regard. In reference to Mr. Royer's approaching retirement, Mr. de Smet said that he was assuming that there would be the opportunity at a later date for contracting parties to express to Mr. Royer their appreciation of the services he had rendered.

At the conclusion of the discussion the CHAIRMAN proposed that a budget working party be set up with the following terms of reference and composition:

Terms of reference:

To examine any questions arising in connexion with the audited accounts for 1959 (L/1267), the financial position as at 30 September 1960 (L/1314), the budget estimates for the financial year 1961 (L/1262 and Add.1 and 2) and accommodation for the secretariat (L/1286), and to submit recommendations to the CONTRACTING PARTIES.

Composition:

Chairman: MR. W.H.J. VAN ASCH VAN WIJCK (Netherlands)	
Australia	Japan
Belgium	Nigeria
Brazil	Pakistan
Canada	Sweden
Ceylon	United Kingdom
France	United States
Federal Republic of Germany	

This was agreed.

4. Impact of commodity problems upon international trade

The CHAIRMAN referred to the suggestion he had made at the previous meeting of the CONTRACTING PARTIES (SR.17/1) that, while this item would in any case be discussed in plenary by the CONTRACTING PARTIES, the meeting of the Working Party on Commodities which normally preceded this discussion should not take place this year.

Mr. VALLADAO (Brazil) said that the Chairman's suggestion did in fact raise considerations of substance. The establishment of the Working Party at the end of 1956 was a clear demonstration that the CONTRACTING PARTIES would deal with problems in the commodity field which were already of major importance to many contracting parties. While it was true that these problems

were being studied in other organizations the fact remained that the GATT, which was so to speak a negotiating body and which considered closely questions of commercial policy, offered a different approach to these problems. What applied in 1956 applied equally in 1960, particularly in view of the fact that countries which had recently become contracting parties were essentially exporters of primary commodities. He recognized that there was a very heavy agenda for the session, with consequential material difficulties and problems regarding personnel; difficulties of this sort were one of the reasons why his delegation supported so strongly the Executive Secretary's budget proposals. It was indeed unfortunate that the GATT was not in a position to give to commodity problems, which vitally affected the interests of many contracting parties, the priority which was given to them by other international organizations. It was true that Committee III was dealing indirectly with some problems which might come within the purview of the Working Party on Commodities, but the Committee was not a permanent body. While, therefore, his delegation would support the Chairman's suggestion on this occasion, he appealed to the CONTRACTING PARTIES to look upon the Working Party on Commodities as being a permanent GATT body for the future.

Mr. PHILLIPS (Australia) said that, while they appreciated the reasons underlying it, his delegation had difficulty in accepting the Chairman's suggestion. The Australian Government attached particular importance to the examination conducted by the Working Party, which it regarded as a means of bringing to attention the problems primary exporting countries faced in endeavouring to maintain international solvency. The Working Party's examination also provided an up-to-date picture of commodity problems generally and not only those confined to the agricultural field. He appreciated the difficulties which arose because of the number of working parties which had to be manned by delegations and serviced by the secretariat and his delegation could see merit in considering alternative procedures which might be adopted in the future. If the consideration of possible new procedures and the departure from established procedures were deferred, however, this would give time for governments to study any new proposals and to brief their representatives accordingly. He would therefore urge that the Working Party be established to carry out its task as in the past and that, at the same time, the Working Party be charged with the additional responsibility of advising on the desirability of this work being handled in future by the Council which would report to the CONTRACTING PARTIES.

Mr. PHILIP (France) said that his first reaction to the Chairman's suggestion had been one of hesitation and surprise. He had been disturbed at the thought of putting aside one of the most important questions which the CONTRACTING PARTIES regularly considered, namely the effect of commodity problems on international trade, the situation arising from fluctuations in the export earnings of different countries and the need to find remedial measures to solve these problems. However, after reflection, his delegation had come to the conclusion that the Chairman's suggestion was in fact based on a realistic appraisal of what could be done during the present session. Moreover, in view of the work on commodity problems being carried out in other

international organizations, any examination which the Working Party on Commodities might undertake might well at the present time result in a duplication of effort. His delegation was, therefore, prepared to accept the Chairman's suggestion, on the understanding that the importance of the role of the GATT in this field continued to be fully recognized and that there would be a debate in plenary on this subject at the present session.

Mr. ADAIR (United States) said that, in view of the heavy agenda, his delegation would favour dispensing with a meeting of the Working Party on Commodities this year, provided that it met with the approval of those contracting parties which were most closely concerned. Contracting parties already had the useful background material provided by the secretariat, the report of the chairman of ICCICA and the reports of Committees II and III which had a direct and important bearing on the prospects for commodity trade.

The CHAIRMAN proposed that, in the light of the discussion, his suggestion that the Working Party on Commodities should not meet in 1960 should be adopted. However, if during the plenary discussion on this item during the second week of the session there were requests for any specific study relating to commodity problems, it would still be possible for the Working Party to be convened.

This was agreed.

5. Paris Economic Meetings (L/1280, Corr.1 and Add.1)

The CHAIRMAN recalled that the series of meetings which began in Paris in January on the re-organization of the OEEC and on certain important problems of international trade had been discussed by the CONTRACTING PARTIES at their sixteenth session. The Chairman of the CONTRACTING PARTIES visited Paris during the session and had a talk with the Chairman of the conference on the re-organization of the OEEC. A report on their conversation was distributed during the session and the item was further discussed before the close of the session. The CONTRACTING PARTIES then instructed the Council to follow developments closely. At the close of the sixteenth session it was understood that the CONTRACTING PARTIES would be represented in further discussions in Paris and on 8 June the Executive Secretary had attended a meeting of the Working Party at which the functions of the proposed new organization were discussed. A representative had also participated in the work of the Subcommittee on Trade Questions. A report by the Executive Secretary (L/1280) had been distributed prior to the meeting of the Council in September and was now before the CONTRACTING PARTIES for their consideration.

At the request of Mr. PHILLIPS (Australia) and Mr. SWAMINATHAN (India) discussion of this item was deferred until the second week of the session.

6. Article XVIII: extension of release (ceramic ware) granted to Ceylon

The CHAIRMAN referred to the request of the representative of Ceylon at the first meeting of the CONTRACTING PARTIES (SR.17/1) that Ceylon's request for an extension of the release granted in 1955 should be considered by the CONTRACTING PARTIES in 1961 instead of at the present session. The Chairman said he had been informed that the contracting parties with the principal export interest in the product had no objection to an extension of the release until 1961, at which time any question of a further extension could be considered. If this were acceptable to the CONTRACTING PARTIES, he would propose that the Executive Secretary distribute a draft decision for consideration at a later meeting.

This was agreed.

7. Italian customs treatment for imports of Somalian products (L/1305)

The CHAIRMAN recalled that, at the sixteenth session, the Italian delegation had informed the CONTRACTING PARTIES that the Government of Italy intended to request a waiver from the obligations of Article I to be permitted to continue to grant special customs treatment to imports of Somalian products. When the Council met in September a Working Party was appointed to examine Italy's request and it was intended that the Working Party would meet before the opening of the present session and submit recommendations for consideration by the CONTRACTING PARTIES. It had, however, not been possible for the Working Party to meet before the session. As the examination of the Italian request could now proceed he proposed that the Working Party appointed by the Council, with the addition of Portugal as a member, should meet on the following day. The terms of reference and composition of the Working Party were as follows:

Terms of reference:

To examine the request by the Government of Italy for a waiver from the obligations of Article I in order to accord special customs treatment to imports of certain Somalian products and to submit recommendations to the CONTRACTING PARTIES.

Composition

Chairman: MR. H.G. MATHEUR (India)

Brazil	Greece	Portugal
France	Israel	Turkey
Ghana	Italy	United Kingdom
		United States

This was agreed.

The meeting adjourned at 4.45 p.m.