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GENERAL AGREEMENT ON TARIFFS AND TRADE

CONTRACTING PARTIES
Nineteenth Session

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SUMMARY RECORD OF THE SECOND MEETING

Held at the Palais des Nations, Geneva,
on Wednesday, 18 November at 2.30 p.m.

Chairman: Mr. BARBOSA DA SILVA (Brazil)

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1. German import restrictions (I/1603)

The CHAIRMAN recalled that on 30 May 1960 the CONTRACTING PARTIES had granted to the Federal Republic of Germany a waiver of obligations under the provisions of Article XI to allow the maintenance of restrictions on the importation of certain products. He explained that under the conditions and procedures attached to this waiver the Federal Republic was required annually to report on progress achieved in the relaxation or elimination of restrictions and to consult with the CONTRACTING PARTIES regarding the application of the waiver. He stated that the report for 1961 had been distributed as document I/1603; he proposed that the CONTRACTING PARTIES might wish to appoint a working party to carry out a consultation with the Federal Republic.

Dr. EMMEL (Federal Republic of Germany) stated that in accordance with the provisions contained in the Decision of 30 May 1959 the Federal Government had submitted to the contracting parties its third annual report concerning German import restrictions. This report took the same form as that of last year in order to facilitate a comparison. It indicated the measures taken by the Federal Government to relax or to eliminate the restrictions. The Federal Government had removed the restrictions from most of the products listed in Annex A to the Decision of 30 May 1959. Quantitative restrictions had also been abolished with respect to some of the products mentioned in Annex B of

the Decision; global quotas had been established for products mentioned in Annex C for the amounts provided for in the Decision. With respect to the restrictions still maintained, the Federal Government had generally made efforts to expand quotas and to administer them as liberally as possible. It had repeatedly conducted consultations with interested contracting parties and had accorded sympathetic consideration to their representations. The liberal import policy followed by the Federal Government had led to a further increase in imports in 1960: in fact, imports of goods still subject to quantitative restrictions had in some cases shown greater increases than imports of liberalized products. Dr. Emmel explained that statistical surveys had been included in the report as Annexes 1 to 3 in compliance with the wishes expressed at the meeting of the Working Party on German Import Restrictions during the seventeenth session. In addition, as had been requested, a list of the quotas contained in bilateral agreements of the Federal Republic concerning the importation of agricultural products into the Federal Republic had been attached as Annex 4.

Mr. DATSON (New Zealand) referred to the removal of quantitative restrictions which had taken place as an indication of the recognition by the Federal Republic of its obligations under the waiver. He expressed concern, however, that in view of the limited time before the lapse of the waiver, there had been little improvement with regard to access for those agricultural products listed in Annexes B, D and E of the waiver. The New Zealand delegation looked forward to a detailed examination of the material provided by a working party.

Mr. SWAMINATHAN (India) associated his delegation with the views expressed by New Zealand. His Government welcomed the progress made thus far by the Federal Republic in the removal of quantitative restrictions. Mr. Swaminathan supported the proposal for the establishment of a working party to examine in detail the restrictions retained by the Federal Republic. He referred in particular to restrictions retained on certain items of special interest to India, such as specified woven fabrics of cotton, woven carpets of coconut, non-industrial sewing machines and parts, and simple mechanical lighters and parts. An analysis of the import statistics showed that imports into the Federal Republic had increased substantially in 1960 over the previous year. It was a very disturbing fact however that imports from member States of the European Economic Community had accounted for a very high proportion of this increase. In the view of his delegation the waiver had been granted to the Federal Republic in order to provide a period of adjustment for domestic industry prior to the introduction of full liberalization. If domestic industry was to be protected, such protection should apply equally to imports from all sources and not in a discriminatory manner to the detriment of countries like India and Pakistan who were in great need of increased foreign exchange earnings. It was the hope of his Government that any discriminatory application of remaining restrictions, particularly against less-developed countries, would not be maintained while imports from other sources freely enter the market of the Federal Republic. The Working Party might seek a solution to this question and to the related problem of imports permitted under bilateral arrangements.

Mr. LATIMER (Canada) expressed agreement with the remarks of earlier speakers. He stated that the Canadian delegation continued to regard the retention of quantitative restrictions by the Federal Republic as a major derogation from the General Agreement. Canada had accepted the waiver for the Federal Republic in the belief that it would provide the Federal Republic with sufficient time to bring its import régime into line with GATT. However, the waiver was due to lapse in a year and although there had been extensive relaxation, much remained to be done. His delegation was most interested therefore in reviewing in a working party the details of the Federal Republic's plans for removing remaining controls.

Mr. FLEMING (Australia) associated his delegation with the comments of earlier speakers. He recalled that, at the time the waiver had been granted to the Federal Republic, his delegation had emphasized that it represented a substantial concession on the part of the CONTRACTING PARTIES. The Federal Republic at that time had agreed to accept two major commitments; one relating to the non-discriminatory application of remaining quantitative restrictions, and the other to providing for increased access to the market of the Federal Republic. This was to be achieved either by eliminating restrictions over a period or, in the case of the Marketing Law items, by endeavouring to establish conditions which would afford increasing opportunities of access. The Federal Republic would also aim at liberalizing as many of the products as possible on a de facto basis. Mr. Fleming pointed out that since the granting of the waiver, the Federal Republic continued to enjoy all the benefits of GATT in her export trade; the Federal Republic on its part had one year to fulfil its obligations. He emphasized that, with respect to goods listed in Annexes B and E of the waiver, little progress had been made in the elimination of quantitative restrictions.

It was the hope of the Australian Government that at this session a solution would be found to remedy these shortcomings. He referred to the assumption by the Federal Republic of regional commitments which might be considered to detract from the conditions of the waiver. In the opinion of his delegation, since the restrictions were inconsistent with the GATT, it was difficult to visualize how membership in a customs union could take the restrictions out of that class without making the practices of the customs union inconsistent with GATT. Australia attached great importance to this item and to the access to be provided to the German market which falls far short of that envisaged under the provisions of the General Agreement.

Mr. EVANS (United States) welcomed certain actions taken by the Government of the Federal Republic during the past year with respect to the removal of quantitative restrictions; in some cases restrictions had been removed prior to the date specified in the waiver to the advantage of supplying countries. He noted, however, that as the waiver was due to expire in the near future, time would not permit a fourth review sufficiently in advance of the expiration of the waiver to enable any action to be taken following the review. Therefore it would be appropriate for the CONTRACTING PARTIES to expect the Government of the Federal Republic to agree to remove all remaining quantitative restrictions during the coming year. His delegation proposed that consideration should be given in a working party to the request that the Federal Republic be required to submit to the CONTRACTING PARTIES a firm time-table for the progressive removal of remaining restrictions. In addition, the working party should make a careful study of the bilateral trading arrangements which have been entered into by the Federal Republic.

Mr. RACANIE (Uruguay) said that his delegation agreed with the statements made by previous speakers in relation to the general aspects of the waiver and supported the proposal that a working party be established to consider the matter; his delegation would wish to participate in such a working party. The working party should seek an explanation from the Federal Republic of the rapid increase in imports into that country from member countries of the European Economic Community of items subject to restrictions; it should also examine the influence of bilateral arrangements on the pattern of the trade of the Federal Republic.

Mr. GAUHAR (Pakistan) endorsed the comments made by previous speakers and by the representative of India in particular. His Government was disturbed that an element of discrimination had developed in the administration of quantitative restrictions maintained by the Federal Republic. His delegation looked forward to participating in a detailed study of the situation.

Mr. SVEC (Czechoslovakia) referred to specific paragraphs of the report of the Federal Republic which stated that reduction of imports was greater in the sector with de facto liberalization than in the sector to which quantitative restrictions were applied. It was also stated that imports increased more from countries where quantitative restrictions were applied. He felt that this was an unusual situation. He stated that the import regime applied by the Federal Republic with respect to imports from his country was discriminatory. Consultations between his Government and the Government of the Federal Republic had not brought about a reduction in this discrimination. He stressed that in keeping with the provisions of the General Agreement imports from Czechoslovakia should be accorded equal treatment with imports from other contracting parties.

The CHAIRMAN proposed that a working party be established with the following composition and terms of reference:

Terms of reference:

To carry out the consultation with the Government of the Federal Republic of Germany under paragraph 3 of the Decision of 30 May 1959 and to submit a report to the CONTRACTING PARTIES.

Chairman: Mr. A. WEITNAUER (Switzerland)

Members

Australia	Federal Republic	Norway
Austria	of Germany	Pakistan
Brazil	Greece	Sweden
Canada	India	United Kingdom
Czechoslovakia	Japan	United States
Denmark	Netherlands	Uruguay
France	New Zealand	

This was agreed.

2. Belgian import restrictions (L/1604)

The CHAIRMAN stated that in document L/1604 the Government of Belgium had submitted its annual report under the Decision of 3 December 1955. It had been customary to refer the annual report to a working party on agricultural waivers for detailed examination.

Mr. de SMET (Belgium) in presenting the report pointed out that the waiver would expire on 31 December 1962 in accordance with the Decision taken by the CONTRACTING PARTIES on 3 December 1955. His Government wished to inform the CONTRACTING PARTIES that it would take the necessary measures to remove quantitative restrictions still in force; certain restrictions were to be removed as of 1 January 1962. His Government wished to request the CONTRACTING PARTIES and the Working Party to consider the difficulties which faced Belgian agriculture. Agricultural producers in his country had to protect themselves against imports of products in respect of which export subsidies were granted. He believed personally that the Belgian Government did not intend to seek a new waiver; the waiver procedure did not offer an appropriate solution to the agricultural problem.

He referred to the statement by the Executive Secretary at the meeting of the Council to the effect that it was necessary to find new ways and means to solve the agricultural problem. Mr. de Smet felt that it was neither the volume of trade in agricultural products, nor the relative share of agricultural products in international trade which rendered agricultural problems so difficult to solve. He pointed out that national administrations dealing with agricultural questions were confronted with an agricultural population which feared that their fate would finally rest with international organizations. The agricultural population would undoubtedly agree to call upon international organizations in order to seek

a solution to that part of the national policy which could no longer be solved on a national level which was true for example with respect to the problem of agricultural surpluses. The agricultural population would not, however, agree that international organizations should be given the possibility of intervening directly in other agricultural questions. In general in Western Europe there was a rapid increase in agricultural production which was greater than the increase in consumption. Prices were either guaranteed or subsidized and there was no free competition to improve the situation. He felt that it would be necessary to wait until the situation itself brought pressure to bear on the agricultural population. It was possible that the ministerial meeting might find a solution. In his view, however, the only possible arrangement would be one which provided an equal and appropriately conventional distribution of markets. There was practically no hope that GATT action would enable agricultural exporting contracting parties to increase their exports by replacing national producers. Efforts to find a solution to this problem must, however, be continued. He suggested an adoption of measures which would enable contracting parties, while safeguarding the interests of their agricultural population, to adjust the rate of production to a level which when taking due account of imports, would be equal or close to the level of consumption.

Mr. EVANS (United States) welcomed the progress which had been made in the past year by the Government of Belgium, and especially the statement made in its Annual Report (L/1604) that it would make every endeavour to remove all outstanding restrictions in imports by 31 December 1962. His Government also acknowledged and appreciated the reduction of import licensing taxes, but did, however, wish once again to express concern on the domestic import levies which insulated domestic production from international competition.

Mr. VALLADAO (Brazil) associated himself with the remarks of the previous speaker; he welcomed the fact that a highly-industrialized country to whom a major concession had been made, found that it could fulfil its obligations.

Mr. DATSON (New Zealand) said that his delegation looked forward to taking part in a working party set up to examine this subject. He had been interested to hear the personal remarks of the Belgian representative on the agricultural situation, and asked if these could be circulated. He joined with the representatives of the United States and Brazil in welcoming Belgium's acknowledgment of its obligation in foreseeing the ending of quantitative restrictions inside the time period of the waiver. He shared the concern of the representative of the United States at the use of import levies and drew attention to the report of the Working Party which had been set up in the previous year. The members of that Working Party had hoped that the problem of import levies would be examined in the light of the relevant trade figures as these became available. The waiver had been granted on the understanding that Belgium needed quantitative restrictions because its industry required time to adjust to meet competition. Now it seemed that quantitative restrictions were to be replaced by other means of protection. One of the reasons given for the use of quantitative restrictions was to protect Belgian agriculture from subsidized products. Mr. Datson pointed out, however, that non-subsidized products were also still affected by these restrictions.

Mr. FLEMING (Australia) said that his delegation would be glad to take part in the closer examination of the report in a working party. He expressed the hope that quantitative restrictions would not be replaced by other measures.

The CHAIRMAN suggested that the statement of the representative of Belgium should be circulated, as requested by the representative of New Zealand. He proposed that the report be referred to a working party whose terms of reference and membership he would propose after taking up the following item, "United States Import Restrictions".

This was agreed.

5. United States Import Restrictions (L/1549)

The CHAIRMAN recalled that the seventh annual report by the Government of the United States under the Decision of 5 March 1955 had been distributed in document L/1549. In previous years the United States reports had been referred to a working party for detailed examination.

Mr. EVANS (United States) said that in accordance with the Decision of the CONTRACTING PARTIES of 5 March 1955, his Government has submitted its annual report on the status of import controls established under Section 22 of its Agricultural Adjustment Act. The report covered the period from 1 August 1960 to 1 August 1961, and included, in addition to the other information for which the Decision called, a report of the several changes which had been made during this period in the import restrictions maintained under Section 22.

The Decision of the CONTRACTING PARTIES, under which the report was made, recorded the intention of the United States Government to terminate promptly any restrictions imposed, when it was found that the circumstances requiring the action no longer existed. In this connexion, he was pleased to point to the elimination in April of this year of the special import fees on peanut oil, flaxseed and linseed oil, and to the expiration in June 1961 of the import quota on rye, rye flour and rye meal. These actions had been noted in the report. Not noted in the report because they happened after the close of the reporting period, but also of interest to the CONTRACTING PARTIES, were a number of Section 22 developments.

On 1 September, the President had received, in response to his request for an investigation into the matter, a report from the Tariff Commission on the possibility of enlarging or eliminating the existing quotas on blue-mold and cheddar cheese. The Commission reported that it had not found conditions sufficiently changed to warrant a recommendation that the quotas be enlarged or eliminated. The President, however, had not yet announced his decision in that matter.

Mr. Evans recalled that at the seventeenth session his Government had reported that import restrictions on tung oil and tung nuts had been extended until the end of October 1963. The Tariff Commission, at the request of the President, had very recently conducted an investigation to determine whether this quota could be terminated. In that matter also the Commission had not found conditions sufficiently changed to warrant a recommendation that the quota be terminated. This report was now before the President.

The President had imposed an annual import quota of 1,000 lbs. for cotton products purchased in any stage preceding spinning into yarn. This was not a new restriction. It was rather, an action in support of the quota already established for cotton. The products involved did not normally move in international trade; they represented only the first stages of cotton processing in the textile mill.

Import regulations remained in effect for wheat and wheat products, cotton and cotton waste, peanuts, tung nuts and tung oil and certain manufactured dairy products. The report before the meeting described the steps that had been taken to solve the problems which made these regulations necessary. Despite the progress that had been made, it was necessary to continue these controls. Whenever changed circumstances permitted, they would be removed or relaxed in keeping with the commitment of the United States Government under the waiver.

Mr. LATIMER (Canada) said that his Government had always been concerned over the broad scope of the waiver granted the United States and was pleased to note the restraint that the United States has exercised in implementing it. He was particularly pleased over the recent removal of flaxseed and rye from the restrictions under Section 22 of the United States Agricultural Adjustment Act. His delegation was also interested in the outcome of decisions relating to cheddar cheese. His delegation would welcome a detailed study of the report in a working party.

Mr. SKAK-NIELSEN (Denmark) noted that the report brought out the same salient features as past reports. Cultivated acreage seemed to be increasing from year to year. Support prices had been near the minimum level in 1960 but in 1961 were somewhat higher for wheat and dairy products on which surpluses were most serious. With regard to import restrictions applied to dairy products, he noted that quota enlargements in recent years did not apply to Danish exports. Bilateral approaches were being made in Washington, and it was his hope that the United States would accord Danish representations sympathetic consideration. His delegation would be glad to participate in a working party.

Mr. DATSON (New Zealand) expressed the hope that his delegation would have the opportunity of taking part in a working party. He would welcome the relaxation of restrictions on blue-mold and cheddar cheeses which were important in the export trade of his country. He was always pleased to hear of relaxations of restrictions even when those did not apply to New Zealand, as they served as an example to other countries. He wished, however, to record his disappointment with regard to dairy products and to associate himself with the remarks of the Danish representative on support prices in the United States. His Government felt that a substantial increase in import quotas on dairy products was possible.

Mr. VAN WIJK (Netherlands) stated that his delegation would be pleased to take part in a working party. He expressed his concern regarding the lack of balance between supply and demand in the United States market for agricultural products. The measures introduced by the United States Government to offset this imbalance were not effective.

Mr. LACARTE (Uruguay) welcomed the improved situation for certain products which affected his country and the intention of the United States Government to make certain relaxations on other products as circumstances allowed. He did, however, state his opposition to agricultural waivers in general as being contrary to the basic premises of the GATT, which were designed to stimulate rational patterns of production.

Mr. FLEMING (Australia) associated his delegation with the views of previous speakers.

The CHAIRMAN proposed that, as on previous occasions, a working party on agricultural waivers should be set up to examine the reports submitted by Belgium (see item 2) and the United States with the following terms of reference and membership:

Terms of reference

1. To examine the annual report (L/1604) by the Government of Belgium under the Decision of 3 December 1955 and to report thereon to the CONTRACTING PARTIES.
2. To examine the annual report (L/1549) by the Government of the United States under the Decision of 5 March 1955 and to report thereon to the CONTRACTING PARTIES.

Composition:

Chairman: Mr. S.Chr. SOMMERFELT (Norway)

Argentine	Denmark	Norway
Australia	Ghana	Poland
Belgium	Greece	Portugal
Brazil	Italy	South Africa
Canada	Luxemburg	Spain
Chile	Netherlands	United Kingdom
Czechoslovakia	New Zealand	United States
		Yugoslavia

This was agreed.

4. Programme for the expansion of trade (L/1461 and Corr.1, L/1554 and L/1557)

The CHAIRMAN recalled that the achievements of the CONTRACTING PARTIES under the Programme for the Expansion of International Trade was the principal item on the agenda proposed for the ministers' meeting, and it was hoped that ministers would give guidance to the CONTRACTING PARTIES for their future work. So far as the Tariff Conference was concerned, the Executive Secretary, in his capacity as chairman of the Tariff Negotiations Committee, would report at a later meeting on progress in the negotiations. He proposed that the CONTRACTING PARTIES should adopt the latest reports of Committees II and III at the present meeting, as these were to constitute basic documentation for the ministers' meeting. It would be necessary to come back to this item in the last week of the session after the ministerial meeting.

The CHAIRMAN said that the third report of Committee II (L/1461 and Corr.1) had been presented to the CONTRACTING PARTIES at the eighteenth session. The report had not, however, been distributed in time for study by governments, and its formal adoption had been postponed until the present session.

Mr. CARNEIRO (Brazil) referred to the documents before the CONTRACTING PARTIES as the most important documents to be studied during the nineteenth session (L/1461 and Corr.1, L/1554 and L/1557). He stated that the General Agreement was one of the most powerful instruments for the expansion of international trade because it provided governments with the possibility of negotiating reductions in tariff barriers which, under Article I, were then applied on a most-favoured-nation basis. Tariffs, either fiscal or protective, however, had a limited impact on international trade because they were affected by other instruments at the disposal of States. The GATT had over the past fourteen years operated an extensive programme of tariff negotiations. Brazil had participated in tariff negotiations in Geneva since 1958. Results of these negotiations had been submitted to the Brazilian National Congress, which had approved many of the concessions granted while rejecting certain items negotiated with a number of countries. Brazil had renegotiated these items and the United Kingdom was the only country with which negotiations had reached an impasse.

Brazil had expended all possible efforts to reach an agreement in the negotiations with the European Economic Community on the common external tariff, but agreement had unfortunately not been possible. His Government was also concerned at the prospect of negotiations for the entry of the United Kingdom into the European Economic Community.

It had been expected that the Dillon negotiations would not be based on an idea of rigid reciprocity. He drew attention to Annex A of document L/1435 and regretted the lack of interest of the industrialized countries in putting into action the recommendations contained in this document. He referred to the statement of the representative of the European Economic Community in the Tariff Negotiations Committee (document TN/60/SR.8 page 14) to the effect that the reduction of 20 per cent would be asked only of industrialized countries, whereas under-developed countries would be asked only for symbolic concessions. On 29 September 1961 the EEC had refused formally to negotiate with the Brazilian delegation on the basis of Article XXIV:6.

His delegation proposed to present during the course of the session a draft proposal for the revision of the Programme for the Expansion of Trade in the tariff sector. Its introduction would point out that all possibilities for a reduction of tariffs had been exhausted in countries with intensive development programmes. New industries must be protected. Mr. Carneiro considered that differing treatment should be given to differing types of contracting parties. Although all contracting parties were subject to equal legal treatment under the Agreement, equal economic treatment should not be given to contracting parties which are not economically comparable. The Brazilian delegation has maintained this stand for some ten years.

Positive effects of tariff reductions may be limited, but even those limited results may be annulled by discriminatory tariff concessions. The GATT permits those preferences which previously existed between metropolitan countries and former overseas territories, and allows the creation of new preferences in connexion with the establishment of customs unions and free trade areas. Customs unions and free trade areas are permitted in GATT for the purpose of increasing trade between members but never to alter the flow of trade to the detriment of third countries.

Turning to the reduction of non-tariff barriers to trade, Mr. Carneiro referred to the waivers allowing the retention of quantitative restrictions. His delegation regretted the possibility that waivers might be extended indefinitely. Basically waivers should be granted to countries with balance-of-payments difficulties, yet this had not always been the case. Year after year waivers which went against the GATT principles had been extended. The Brazilian delegation was ready to join in the search for practical solutions and referred to the document prepared by the Uruguayan delegation (C/W/23 and Add.1) which proposed concrete measures, similar to points put forward in ECOSOC.

He drew attention to the fact that internal taxes sometimes nullified tariff concessions, and said that those taxes should be negotiated. His delegation would study this possibility. During tariff negotiations individual countries

should include internal taxes when calculating the reciprocity of concessions. Contracting parties should consider granting concessions to countries producing primary products such as coffee, tobacco, sugar, tea and cocoa and should undertake not to increase internal taxes on these commodities.

The use of licensing was another of the barriers to trade, and was mainly applied by countries with centrally-planned economies. Mr. Carneiro stated that he would return to those points again later in the session.

Mr. FARINDE (Nigeria) said that the Brazilian delegate had anticipated the remarks he had wished to make concerning the Programme for Expansion of Trade. Fourteen years ago the CONTRACTING PARTIES first came together to eliminate trade barriers and discriminatory treatment. Eleven years later they found it necessary to launch a programme for the expansion of trade. Many of the restrictions identified in carrying out this programme were in flat contradiction to the spirit of the General Agreement and amounted to a solemn breach of international commitments. His delegation felt that the problems confronting the programme for expansion of trade provided a challenge to the efficacy of the General Agreement. He stressed however that the mere adoption by contracting parties of the reports of Committees II and III was not enough; his delegation wished to see effective action. He particularly stressed that steps should be taken to implement the recommendations of Committee III as outlined in document L/1557.

Mr. IACARTE (Uruguay) noted that the Committee II report incorporated ideas and proposals relating to the vast area of agricultural protection. New tariff barriers and the general use of quantitative restrictions had reduced and removed benefits accruing from tariff bindings, especially for countries depending on agricultural exports for the development of their economies. It was essential to help such countries develop their economies and to solve their balance-of-payments difficulties. Such problems were created for these countries by the serious distortion of free economic forces which had inspired the GATT. Agricultural protection caused difficulties for unassisted producers and favoured marginal and uneconomic production contrary to the principles of GATT thereby adversely affecting the social and economic stability of many countries. His delegation could not accept the idea that agricultural production should be regarded as a special category and given special treatment. He did not think that there were reasons in support of agricultural protection, whether social or economic, which could not be overcome. He believed that it was the spirit of the Agreement to achieve a general balance of advantages; it was necessary, especially for agricultural producers, that these obligations be secured. The report of Committee II recommended the reduction of agricultural protection and stated the advantages to be derived from the removal of such measures. His delegation felt that the removal of these measures depended on the goodwill of all contracting parties. It was essential to take the work of Committee II into account since the Committee had concluded that the present imbalance of advantages created a dangerous situation which worked against the application of the GATT to the mutual advantage of all contracting parties. It was in view of the essentially negative results achieved in this field that his delegation had asked that an item be placed on the agenda requesting the annual reporting of trade restrictions; it was very necessary to examine closely the reduction

of agricultural protectionism. His delegation was always ready in future to participate in positive attempts to achieve a just balance of obligations. It was his belief that studies on these problems must be followed up by positive measures. He expressed the hope that the coming ministerial conference would result in concrete action as called for in the report of Committee II.

Mr. DATSON (New Zealand) associating his delegation with the remarks of previous speakers, drew attention to the view of his delegation that the three aspects of the expansion of trade programme, namely, tariff negotiations, trade in agricultural products and the trade of less-developed countries, were closely related and that progress in one sector depended on progress in the others. He felt that the key position in this inter-relationship lay in trade in agricultural products, and as long as the trade of many contracting parties was frustrated by non-tariff barriers, tariff negotiations would lose much of their significance. The existence of non-tariff barriers to the trade of many of the less-developed countries which were highly dependent on agriculture was a formidable obstruction to their development and this, combined with fluctuations in the prices of these products, could well nullify measures of assistance afforded to them in other ways. Referring to Committee II, he said his delegation would like to underline the seriousness of the widespread use of non-tariff protective devices in the area of agricultural production which frustrated the benefits many countries expected to receive from GATT. These problems were of such a magnitude that measures for improvement must be found. His delegation did not expect any sudden and dramatic change for, as Committee II had concluded, even a slight moderation of agricultural protection in both importing and exporting countries would contribute significantly to solving many of the problems confronting trade in these commodities.

The balance of advantages for a number of countries, especially New Zealand, had been seriously disturbed, and this would be a matter of serious concern to his Government at the meeting of ministers. He supported the adoption of the report.

Mr. EVANS (United States) said that while agreeing with other speakers that these were important questions which he hoped would be discussed at the meeting of ministers, and while supporting the adoption of the report of Committee II, he wished to express disappointment that the Committee was not able to come to grips with something more positive regarding the removal of non-tariff barriers confronting agricultural products. Nevertheless, he hoped that the very useful data and facts provided by the Committee would be seriously considered by ministers.

Mr. FLEMING (Australia) supported the adoption of the report of Committee II and suggested its publication in a form readily available to the public.

Mr. OLDINI (Chile) stressed the necessity of positive measures to remedy the serious situation described in the report. The Committee pointed out in its report that the extensive use of non-tariff devices, particularly quantitative restrictions which resulted in the widespread impairment or even nullification of tariff bindings, had frustrated benefits which many countries

expected to receive as a result of obligations arising from the General Agreement. This was a very grave statement which showed that the GATT was in danger unless this situation was remedied. The report squarely placed the responsibility in certain quarters. It stated that in countries where most of the national income was provided by agriculture, agriculture itself could not obtain effective income support. It was in countries in which other economic sectors provided a major share of the national income that the highest levels of agricultural protection occurred.

Mr. EMMEL (Federal Republic of Germany) speaking on behalf of the EEC, said that the report of Committee II offered a basis for the future work of the CONTRACTING PARTIES in this field. He would communicate the views of other contracting parties to the relevant ministers as he hoped other delegations were doing.

The CHAIRMAN said that the suggestion of Australia regarding the publication of the report of Committee II was noted and that the CONTRACTING PARTIES would return to the matter after the meeting of ministers.

The report of Committee II was approved.

The CHAIRMAN said that since the last session, Committee III had distributed its fifth report (L/1554) and a special report (L/1557) and he called on Baron von Platen, the acting Chairman of Committee III, to present the reports.

BARON von PLATEN said that during the inter-sessional period, Committee III met on two separate occasions and prepared three reports (L/1510, L/1554, L/1557).

At its meeting in June the Committee concentrated fully on Section II/2 of its basic work programme which called for a "study of the possibility of channelling expansion of existing industries or starting of new industries by less-developed countries into directions where such countries will be economically efficient producers". Under this section of its work the Committee undertook a detailed examination of the trade and payments aspects of the Third Five-Year Plan of the Government of India.

This was the first time that the Committee had considered trade prospects and difficulties confronting an individual contracting party in relation to its development needs and programme. At previous meetings the Committee, under this section of its work programme, had examined various aspects of trade measures affecting possibilities for less-developed countries of expanding exports of particular products.

The Committee was impressed with the magnitude of the task before the Government of India in increasing per capita incomes and in making the economy self-sustaining. Most striking was the fact that over one quarter of total investment in the Third Five-Year Plan would have to be financed out of external resources. The Committee felt, however, that important as financial assistance was to India and other less-developed countries, such aid in the long run could

not be considered a satisfactory alternative to significantly increased foreign exchange from exports. However, in view of the fact that approximately two-thirds of India's export trade was faced with obstacles of various kinds in importing countries, export targets in the Development Plan had to be drawn up in a spirit of cautious realism despite the serious gap which did exist between export earnings and foreign exchange requirements. Given more liberal access to certain foreign markets, the Indian authorities considered that exports of many major commodities could be expanded within a short time span. The existence of installed capacity in India sufficient to produce certain products in much larger quantities than at present and the existence of other means of rapidly increasing foreign exchange earnings, (given increased access to foreign markets), brought home most strikingly what could be done within GATT to assist the less-developed nations. The Committee's work in this field therefore should be directed to the attention of all persons responsible for the development of trade policy in the member countries of GATT.

The Committee's study of the trade and payments aspects of the Indian Third Five-Year Plan had undoubtedly made a very worthwhile contribution to a greater understanding by contracting parties of the trade problems confronting India and has provided a basis for the study of other development plans. The Committee therefore has invited other less-developed countries which have development plans to submit such plans for study by the Committee. Preliminary arrangements have already been made in this regard with the Governments of Pakistan and Ceylon. A number of less-developed countries have no development plans comparable to the Indian Third Plan; in such cases the Committee undoubtedly would stand prepared to examine problems of economic development on the basis of forecasts for particular industries or plans pertaining to particular projects being undertaken by less-developed countries. Such studies would certainly serve to identify for the CONTRACTING PARTIES the ways by which the individual less-developed country could best be assisted.

At its September meeting the Committee reviewed progress which had been made by contracting parties during the past year in carrying out the various recommendations of the Committee (document L/1554 refers). Once again the progress made was disappointing. With few exceptions, the most notable of which was the substantial reduction of import duties on coffee by Finland, one of the larger consumers, progress had been mainly confined to the removal of quantitative restrictions undertaken largely as a result of the emergence from balance-of-payments difficulties of a number of contracting parties. As welcome as the removal of import restrictions was, on the whole little progress had been made in the reduction or removal of other barriers which had been identified by the Committee as also constituting serious obstacles to the expansion of the exports of the less-developed countries.

At this meeting the Committee also examined in detail the barriers confronting trade in a further list of products as requested by individual less-developed countries. The findings of the Committee with regard to these products (coir manufactures, steel furniture, ferro-chrome and ferro-manganese, copper rollings, and canned prawns and shrimps), were set out in detail in document L/1554. Individual contracting parties, particularly the industrialized countries, should closely examine the findings of the Committee with regard to

these products, as well as the products previously examined by the Committee, and give serious consideration to implementing recommendations with regard to each of these products. For an illustration of the findings of the Committee with respect to the various types of barriers in different countries confronting each of the products examined by the Committee over the past two years, contracting parties were referred to the secretariat draft paper COM.III/W.15. This document would be reissued in a revised version later in the session.

The Committee considered that its September meeting would be an appropriate time to review its work over the past few years with a view to placing before the ministerial meeting a comprehensive report highlighting in a short and concrete way the main findings and recommendations which had emerged from three years of detailed study and discussion by the Committee. This special report therefore summarized in a few pages the Committee's work to date (document L/1557 refers). Particular notice was called to the ten recommendations of the Committee; these recommendations were well-founded and would undoubtedly serve well as a basis for discussion by ministers. It was hoped therefore that contracting parties would address themselves to each of these ten points with a view to finding, insofar as their own trade policies are concerned, solutions to the problems confronting an expansion of export earnings of less-developed countries. The implementation of these recommendations will be a very serious test to the bona fides of international trade co-operation through the agency of GATT.

Baron von Platen stressed that the recommendations of the Committee aimed at establishing conditions favourable for imports from less-developed countries. Such conditions could not be achieved by half-hearted solutions, nor was there a substitute for such conditions or an easy way out of the dilemma with which a great number of industrialized countries were faced. These countries should endeavour to follow the advice offered by Committee III. Unless satisfaction was given soon to the export trade of the less-developed countries, the future problems to be faced in this field would be of an even greater magnitude and perhaps more difficult character than those facing us today. In conclusion Baron von Platen recalled that at the previous session of the CONTRACTING PARTIES he had drawn attention to the need for speedy action according to the recommendations of Committee III. He felt that this statement still held good; the degree to which the Committee's recommendations were implemented would influence the international and political climate as a whole as well as the concept of GATT as a universal forum for solving international trade problems.

Mr. ARKAAH (Ghana) recommended the adoption of these reports. For his delegation the most significant sentence of the report contained in document L/1554 was the statement that in comparison to the magnitude of the problems which had been identified as confronting the export trade of less-developed countries, little progress has been made in their reduction or removal. It was perhaps too early yet to look for a removal of the great difficulties confronting the less-developed countries but he hoped that when these reports were presented at the meeting of ministers, the ministers would take positive action to assist the less-developed countries to increase their export earnings.

Mr. TOWNLEY (Federation of Rhodesia and Nyasaland) thanked Baron von Platen for his work in the Committee and supported the adoption of the Committee's reports. He referred to the growing feeling among contracting parties that not enough practical action was being taken to reduce or remove the obstacles to trade which had been identified and documented at such length in the reports of the Committees for the Expansion of Trade. The relevant items on the agenda reflected a natural impatience and at least one, the question of recourse to Article XXIII, suggested a solution which may have an unfortunate negative effect, even if it was designed to achieve a just balance. He felt that efforts should be directed towards more positive progress, which could only be achieved by a wider application of the spirit as well as the specific provisions of the General Agreement. His delegation hoped that ministers would at last be able to give directives for the achievement of progress of this practical kind. His delegation would like to repeat the suggestion made by his country's representative during the September meeting of the Committee that, in addition to any regular review of progress in the removal of obstacles, an annual list should be produced showing retrogressive measures taken by individual contracting parties in their treatment of products of concern to less-developed countries. If such a list had even a small deterrent effect, its publication would be justified.

The CONTRACTING PARTIES had unanimously agreed that everything possible should be done to facilitate the expansion of the export earnings of less-developed countries. Nevertheless, it was a cause of concern to his delegation to find that courses of action were still being taken or contemplated which might run counter to this agreed objective. For instance, his delegation had received a report that applications for tariff or other protection in respect of beryllium, cobalt and manganese were to be considered early next year by the authorities in one of the major industrialized countries. The Federation was at present a substantial supplier of all three minerals to the market in question. His delegation had also noticed a tendency for capital aid by industrialized countries to less-developed countries to be accompanied by a requirement to purchase specified products from the lending country. These products could, in some cases, be equally well supplied by other less-developed countries in whose economies they were of far greater relative importance than in the economy of the industrialized country offering the aid. His delegation, of course, did not criticize the granting of aid as such, to any less-developed country. It would be unfortunate however if in some cases, there were consequences unfavourable to the established trade of another less-developed country, or to its prospect of expanding its trade. If tied aid is unavoidable, then his delegation felt that it should not involve commodities in which less-developed countries have an actual or potential supplying interest or, at the very least, that there should be adequate prior consultation with producing countries having such an interest.

Mr. SWAMINATHAN (India) congratulated the acting Chairman of Committee III on his work. In supporting the adoption of the reports of Committee III, he said that a perusal of these reports would show that a great deal of thought had been

given to these matters by contracting parties, especially by the industrial countries. On the subjects dealt with by Committee III, it was his view that there had been a definite change in thinking, but it was only after the ministers' meeting that the results of this change would be ascertained.

Mr. FLEMING (Australia) supported the adoption of the reports and suggested that the reports, particularly the special report, be made available to the public.

Mr. EVANS (United States) said that his delegation supported the adoption of the reports of Committee III and shared the disappointment of other delegations that its admirable recommendations were not carried out up to now. He expressed the hope that the concentration of the ministerial meeting on this problem would lead to real progress.

Mr. SWAMINATHAN (India) endorsed the suggestion by the delegate of Australia that the reports of Committee III be made available to the public.

Mr. TREU (Austria) said that although Austria was not a member of Committee III, observers from his country had closely followed its work. Referring to document L/1554 on the progress made by individual contracting parties towards removing barriers confronting less-developed countries, he noted that Austria was not mentioned although on 1 July 1961 his country had significantly increased liberalization. He hoped that note would be made by the Committee of these measures. He supported the adoption of the reports of Committee III.

Mr. OLDINI (Chile) said he would like to support the suggestions made regarding wider publicity for the reports of Committee III. In his opinion the whole of the work of the Committee should be made available to ministers. Mr. Oldini stated that in addition to financial assistance, measures should be taken in the field of commercial exchange to stimulate the trade of the developing countries so as to enable them to achieve more rapid economic development. He observed from document L/1557 that the Committee had concluded that the expansion on a sound economic basis of processing industries based on locally-produced raw materials, would contribute to a desirable diversification of the economies of less-developed countries and increase their foreign exchange earning capacity. He noted that this conclusion was very much dependent on the implementation of the Committee's recommendation that contracting parties should give sympathetic consideration to moderating their tariff and non-tariff measures affecting semi-finished and finished products from less-developed countries. He expressed the hope that ministers would take into account the findings and recommendations of Committee III and adopt resolutions to make possible an expansion of trade from the less-developed countries.

Mr. MILANOVIC (Yugoslavia) stressed the importance his delegation attached to the report of Committee III. In his view the report shed a clear light on the problems with which it dealt and the sense in which the conclusions should be implemented. These problems were so important that it was necessary to solve

them quickly in order to enable the world economy to prosper, and in order to remove the wide gap in living standards that now existed between the industrial and the less-developed countries. It was his hope that the next ministers' meeting would be a turning point in the history of GATT.

Mr. GAUHAR (Pakistan) said his delegation supported the adoption of the report of Committee III. The salient features of the report had already been brought out by other speakers, but he wished to draw attention to a few points. In the view of his delegation, the findings of Committee III had vindicated the position adopted by the less-developed countries in their joint note which was submitted on 10 November 1960 in document W.17/11. The fears that were expressed by the less-developed countries at that time had now turned out to be correct. The report of Committee III had indicated that most of the products of the less-developed countries continued to be subjected to import restrictions especially with regard to semi-processed and simpler manufactures. Another feature of these restrictions was that they were applied in a clearly discriminatory manner and in clear contradiction of the obligations of the General Agreement.

The Committee has also noted that highly-industrialized countries had made certain moves towards liberalization, but much of this liberalization had been on an area basis, and the less-developed areas of the world had for one reason or another been denied the benefit and advantage of this move. A look at the latest assessment of the international trade situation showed that once again the share of the non-industrial areas in the world's exports had been significantly reduced and had been accompanied by a slowing down in the expansion of exports of the non-industrial areas to industrial countries.

Mr. Gauhar pointed out that on the one hand, while the exports of the less-developed countries had shown no significant signs of improvement, on the other, because of the urgent need of certain goods essential to their economic development, their imports had risen at a very rapid rate.

Referring to Pakistan, he said that in 1960, imports had increased by 85 per cent as compared to the level of imports in 1959. Nearly all of this increase had arisen through imports of capital goods, machinery, raw materials and transport requirements, the benefit of which had gone largely to the industrial countries of the world.

Mr. Gauhar said that it was obvious that countries such as Pakistan cannot embark upon a programme of liberalization of imports unless there is evidence that the modest targets for increases in exports that they had set themselves had a reasonable prospect of being achieved.

Mr. Gauhar went on to say that unless the markets of the industrialized countries were made available to the less-developed countries, countries such as his will have little chance of achieving those export targets. The result will be that for a while, with great effort, they would be able to increase their imports and liberalize their import policy and thus honour the principles of the General Agreement, but they would be compelled again by a perpetual imbalance in their payments position to adopt restrictive measures. It was a

generally recognized fact that when the less-developed countries asked for investment or assistance, they were told that investment or assistance must be matched by their export performance. In the opinion of his delegation, this situation presented a serious dilemma, because however much they might try to improve their production at home, and however much they might try to ensure that their goods were produced economically on the basis of any natural advantage they possessed, unless their goods were allowed to compete in the markets of the highly-developed areas, they had little chance of showing an export performance which would entitle them to assistance or which would be sufficient to attract investment from abroad.

The delegate from Pakistan then referred to the concept of market-disruption. He said that he would like certain considerations on this subject to be borne in mind during the coming meeting of ministers. He emphasized that there was nothing new in this concept. It was a concept that was faced even in Pakistan in 1960 when his country had increased its imports by 85 per cent. The reactions of industrialists and traders in his country was that by liberalizing imports, the Government had deprived them of the margin of profit to which they had become accustomed. He recognized that the concept of market-disruption raised very important social and political problems in developed countries, but delegates should inform their ministers that this was a concept that must be attacked, for as long as this concept exists, the less-developed areas of the world would not be allowed to expand their exports freely and to compete in goods, in the production of which they have natural advantages. The report of Committee III was a profound report, which for the first time had clearly and courageously identified the problems of the less-developed areas. Committee III had been criticized for the fact that it had taken three years to prepare this report, but these three years have been well spent since during this period the problems of the less-developed areas which had been concealed and hidden have been brought out and unanimously accepted.

In concluding his statement, Mr. Gauhar said that it was a tribute to the CONTRACTING PARTIES that they had unanimously accepted the findings and recommendations of Committee III. He said that the time had now arrived where decisive action and bold and radical decisions must be taken by ministers at the coming meeting. Ministers should go home and tell their people of the findings of Committee III; they should inform them that these findings were believed to be right, and needed implementation if this were to be a happier world in which those evils of the future referred to by the Chairman in his introductory speech, were to be avoided.

Mr. FARINDE (Nigeria) said his delegation wished to underline that little progress towards the removal of barriers against the less-developed countries had been attained. It was now time for the contracting parties, especially industrialized countries, to face up to the problem, particularly with regard to non-tariff measures which effectively nullified tariff negotiations. His delegation hoped concrete results would be achieved in the ministers' meeting, and supported the adoption of the reports of Committee III.

Mr. AOKI (Japan) said that in view of the importance of the work of Committee III, his country would like to serve on the Committee.

The CHAIRMAN welcomed the request of Japan to participate in the work of the Committee. He thanked the acting Chairman of Committee III and noted for consideration at a later stage Australia's request for wider publicity of the reports of the Committee. He felt that it was the hope of all contracting parties that the ministers at their meeting would consider with due care the material that was laboriously prepared by those who went deeply into the matter in an attempt to find solutions to these important problems.

The reports of Committee III were adopted.

5. Bilateral agreements etc. - compatibility with the GATT

Mr. LACARTE (Uruguay) referred to the item on the agenda regarding the compatibility with the General Agreement of certain procedures. He asked whether it would be possible to have an opinion by the secretariat on these matters distributed as a document.

The EXECUTIVE SECRETARY said that the secretariat had made an analysis of this subject for their own guidance and would be prepared to distribute this analysis in a document.

The meeting adjourned at 3.05 p.m.