

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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## SUMMARY RECORD OF THE EIGHTH MEETING

Held at the Palais des Nations, Geneva,  
on Monday, 4 April 1966, at 2.30 p.m.

Chairman: Mr. J.A. LACARTE (Uruguay)

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1. European Economic Community - Association of African and Malagasy States  
and Overseas Countries and Territories (L/2441)

The CHAIRMAN recalled that the CONTRACTING PARTIES had, at their twenty-second session, established a Working Party to examine the Yaoundé Convention of Association between the European Economic Community and African and Malagasy States. The Working Party had also been requested to examine the association arrangements between the Community and certain non-European countries and territories. The Working Party's report had been distributed in document L/2441.

Mr. SAKELLAROPOULO (Canada), Chairman of the Working Party, presented its report. In view of the differences of opinion in the Working Party as regards the Yaoundé Convention and the Decision on the Association of Overseas Countries and Territories and their compatibility with the GATT, the Working Party could only confine itself to recording the information submitted and the views expressed. The Working Party recommended that the CONTRACTING PARTIES should examine the two instruments in the light of its report.

Dr. TOURE (Togo), speaking on behalf of the parties to the Yaoundé Convention, said that it was, for them, of the greatest political and economic significance, representing a reaffirmation of those concerned to maintain their association in the context of the new political and economic realities created by the independence of the African and Malagasy States. The Convention had been

conceived as a means of strengthening the economic position of these newly-independent States as well as contributing to an expansion of international trade. In the trade field, the signatories to the Convention, whilst resolved to pursue their common efforts towards economic progress, were conscious of the importance of trade co-operation between African States and of international economic relations and thus of the importance of ensuring that the Convention should not curb trade between the parties to it and third countries. The development of trade between the countries in the Association and third countries indicated that the Convention was not an obstacle to international trade.

The trade objectives of the Convention involved the creation of free-trade areas between the Community on the one hand and each of the associated States on the other. This apparently complicated arrangement had been selected so as to leave the associated States free to seek, either amongst themselves, or with other African States, appropriate forms of economic and political co-operation. The creation of a series of free-trade areas was not contrary to the provisions of Article XXIV. The Convention contained a "plan and schedule" for the formation of free-trade areas "within a reasonable length of time" in compliance with paragraph 5(c) of Article XXIV; it provided for the elimination of duties and other restrictive regulations of commerce on "substantially all the trade" between the constituent customs territories and there was no provision in the Convention for the raising of the general level of duties or the introduction of more restrictive regulations of commerce as regards the trade of third countries. Exports of the associated States to the Community were benefiting from the progressive elimination of duties, and charges with equivalent effect, in line with the reductions made in respect of trade between the member States of the Community. Moreover, on 1 June 1964, member States of the Community had accorded immediate duty-free entry for imports from the associated States on certain items of particular interest to them. At the same time, the Community had suspended the common external duties on these products by between 40 and 100 per cent.

Imports from member States of the Community into the associated States either enjoyed complete free entry, with the exception of duties maintained for development, industrialization or budgetary reasons, or, in those associated States referred to in Article 61 of the Convention, treatment no less favourable than that accorded third countries. Associated States, other than those which maintained a completely non-discriminatory policy, had opened, for member States of the Community, global quotas which were being enlarged annually so that quantitative restrictions on this trade would be eliminated at the latest by 31 May 1968. The associated States were free to conduct their commercial policy towards third countries in accordance with their national interests and in the framework of their international obligations.

The financial and technical provisions of the Convention, added to those in the commercial field, would strengthen the participation of the associated States in international trade by improving their economic position. The CONTRACTING PARTIES had been notified of the text of the Yaoundé Convention in February 1964 in accordance with paragraph 7(a) of Article XXIV. The Association had been discussed during the twenty-first and twenty-second sessions and contracting parties had been able to obtain clarifications in the examination in the Working Party. The parties to the Convention had fully complied with their obligations under the General Agreement and they remained ready to provide information concerning the implementation of the Convention.

Mr. de LIEDEKERKE (Belgium), speaking on behalf of the member States of the Community referred to the association between the Community and the overseas countries and territories maintaining special relations with France or the Netherlands. In this case there was a free-trade area embracing the Community and the overseas countries and territories so that trade barriers were eliminated on trade not only between the Community and these countries and territories, but on the latter's intra-trade. The association between the Community and the overseas countries and territories was, in his view, entirely in conformity with Article XXIV. The signatories to the Association were willing to provide contracting parties with all supplementary information that they should wish and they intended to conform to all relevant provisions to the General Agreement in the implementation of this Association.

Mr. AKWEI (Ghana) observed that African countries, signatories to the Yaoundé Convention, were neighbours of and had close relations with Ghana. The report of the Working Party was inconclusive in that it restricted itself to recording divergent views expressed. He noted, in particular, that the deeper issues including the effects of the Convention on trade of other developing countries, had not been examined. The Convention was a preferential arrangement and would seem contrary to the spirit of the General Agreement which existed for the liberalization of trade and the multilateralization of trade benefits. It could be assumed, therefore, that it was the task of the GATT to work towards the dismantling of preferential arrangements, particularly those which discriminated against developing countries. Advantages would certainly accrue to the associated States from association but these advantages were not open to other African States. There was thus the possibility of trade diversion to the detriment of other developing countries. He was also concerned over the situation whereby developing countries gave preferential entry to developed countries at the expense of other developing countries. This did not conform to the principle of non-reciprocity enshrined in Part IV and was contrary to the interests of developing countries as a whole particularly as it would weaken their bargaining position in future negotiations with developed countries. He did not wish to criticize the associated States for becoming parties to the Convention; as developing countries, they could be expected to take advantage of the benefits accruing through association.

It was the responsibility of the developed countries to ensure improved terms of access for developing countries as a whole, in conforming with the principle of non-reciprocity. It could be expected that other countries might now be inclined to seek association with the EEC or other preferential blocks. Such countries would be in a position to indicate whether, in the case of the EEC, they were being offered the same terms of association as those enjoyed by the associated States.

Developed countries should treat the problems of the developing countries as a collective responsibility and not in accordance with relationships resulting from historical accident. If developing countries were not treated as a single unit in GATT, developed countries would be faced with dealing with the problem in other forums. While admitting that advantages were to be derived from preferential arrangements such as the Yaoundé Convention, Ghana was critical of all such arrangements. In this connexion, he noted that there had been recently published a report by a group of experts, examining the expansion of trade of developing countries, in which prominence had been given to the advantages for developing countries of increased trade amongst themselves and to the need for the developed countries to dismantle preferential arrangements as a necessary pre-condition for such increased intra-trade. The time had now come for developed countries to consider how, jointly, they should deal with the needs of the developing countries as a whole.

Mr. AGANAYE (Chad) observed that the report of the Working Party set out the objections to and questions on the Convention as well as justifications and replies by its members. It had to be stressed that the Convention was fully in conformity with Article XXIV which provided for the establishment of free-trade areas as a means of expanding world trade. As trade statistics bore out, the Convention was not detrimental to the trade of third countries. The imminent entry of Nigeria into the Association refuted the charge that it was an isolationist; it had also to be noted that there existed other regional groupings, inspired by the same economic and social principles. Allusion had been made to the fact that member States of the Community would enjoy benefits in the markets of individual associated States which the latter were not extending to their intra-trade. It was relevant to note, in this connexion, the considerable financial aid given by the member States of the Community to associated States, an act of generosity on the part of a developed Europe in favour of an Africa on the threshold of development.

Mr. CADAXA (Brazil) said his country believed that regional economic integration of less-developed countries could contribute to their progress and, accordingly, it supported initiatives in various parts of the world aimed at the establishment of such regional groupings. Given the nature of economies of developing countries, economic association between them had at times to depart from the more orthodox models if the desired results were to be achieved, but certain basic principles had to be observed. He doubted whether the Yaoundé Convention would bring lasting benefits to the associated developing countries. He was

convinced that some of the provisions of the Convention were incompatible with the General Agreement and were contrary to the interests of the developing countries as a whole; they were specifically inconsistent with the principle of non-discriminatory preferences for less-developed countries so strongly advocated by developing countries in GATT and other forums. The report of the Working Party set out the misgivings of the developing countries in this regard. The report revealed a wide divergence of views and was inconclusive; this indicated that the matter required further examination before the CONTRACTING PARTIES would be in a position to take a decision.

Mr. MUGARABONA (Burundi) said that some representatives had maintained that the Yaoundé Convention was inconsistent with the General Agreement. He would examine some of the points raised in the light of their significance for the associated African States. On many occasions contracting parties had indicated their sincerity in seeking practical measures to enable developing countries to overcome the difficulties of their economic position. However, as soon as a country or a group of countries wished to take action to this end, opposition was encountered. This had happened during discussion on the Australian request for a waiver to grant preferences to developing countries; moreover, a number of supporters of the Australian request did not take the same attitude towards the Yaoundé Convention which did not require a waiver and was in fact in accordance with the provisions of the General Agreement. The Yaoundé Convention had been criticized not only because it provided for free-trade areas; because it enabled the associated States to maintain certain quantitative restrictions and duties; and because it left these States free to form customs unions amongst themselves. The GATT itself provided for customs unions and the associated States, in making use of these provisions, would take due account of their obligation in this regard. The Yaoundé Convention had also been criticized because free trade, contrary to the interests to the associated States, was extended reciprocally. However, reciprocity was inherent in the concept of a free-trade area. Another argument used against the Yaoundé Convention was the fact that "free-trade areas" were not specifically mentioned in the Convention and that Article XXIV of the GATT had never been intended to cover free-trade areas between developed and developing countries.

Mr. Mugarabona asked that the associated States be credited with sufficient judgment to evaluate the advantages of the Convention, and to have ensured that the provisions of the Convention conformed to GATT and other international obligations including the Congo Basin Treaty. The CONTRACTING PARTIES had given form to the importance they attached to the efforts to overcome the problems of developing countries by the incorporation of the new Part IV in the General Agreement. The Yaoundé Convention was in his view an important and practical application of the spirit underlying Part IV. The Convention had been negotiated before Part IV by countries, which, because of their recent independence and their stage of development, were in particular need of the aid it provided. The Convention could be improved, but it had the advantage of existing and of working. There was provision in the Convention, moreover, for countries, in situations analagous to those of the associated States, to enter into a similar type of association.

Miss LOVAT-WILLIAMS (United Kingdom) said that the Report showed that many contracting parties had doubts as to the compatibility of the Yaoundé Convention with the General Agreement. These doubts arose basically from the fact that the signatories of the Convention included both developed and developing countries. It was to be welcomed that developed countries were prepared to extend to developing countries trade benefits in their markets. It was also to be expected that developing countries would wish to retain their freedom to protect nascent industries from competition from their industrialized partners as well as from other industrialized countries. It would, however, have been difficult in drafting Article XXIV, to have provided for the circumstances underlying a convention whose arrangements were, in fact, more consistent with the creation of new preferential arrangements than of free-trade areas. Under these circumstances, it would not seem possible to reach any firm conclusions at present. She would suggest, therefore, that the CONTRACTING PARTIES should just note the Report and the various views recorded therein and that it should be left open to CONTRACTING PARTIES to raise the matter at a later date in the light of developments under the Convention. Such an outcome would give recognition to the importance attached to the Convention by contracting parties, and, in particular, its effects on their trade and on the prospects for wider arrangements for the benefit of developing countries. She, therefore, suggested the retention of the item on the agenda of the CONTRACTING PARTIES.

Mr. BRODIE (United States) said that his delegation had doubts as to whether the Convention fully met the requirements of Article XXIV; the Convention did not, in its view, contain a "plan and schedule". Furthermore, the associated States were entitled to maintain or introduce customs duties for budgetary purposes or to promote industrialization, on imports from member States of the Community. The reasons for this were understandable in the light of the economic differences between the European and African signatories but they did give rise to doubts concerning the consistency of the Convention with the requirements of Article XXIV. The same doubts arose as regards the association between the Community and the overseas countries and territories. Any decision on this matter should preserve the rights of other contracting parties. The United States favoured non-discriminatory access for all developing countries in world markets, but recognized that, for practical reasons, existing preferences could not be abolished precipitately. He hoped, therefore, that the Convention, which was of limited duration, could be regarded as a transition to global non-discriminatory solutions for the trade problems of developing countries. The United States welcomed the fact that the Convention did not limit the freedom of associated States to refrain from discrimination against third countries and hoped that the five countries which maintained non-discriminatory treatment would continue to do so. He also hoped that the members of the Central African Economic and Customs Union would reconsider their decision to introduce a discriminatory common external tariff since the

exemption of imports from the Community would negate its protective and revenue objectives. He appreciated the willingness of the signatories to the Convention to keep the CONTRACTING PARTIES informed on its implementation and he hoped that the item would remain on the agenda of the CONTRACTING PARTIES until the expiry of the Convention in 1969.

Mr. AKWEI (Ghana) recalled that developing countries in the United Nations Conference on Trade and Development had agreed that suitable and adequate arrangements of compensation should be devised to offset disadvantages arising from the removal of preferences and Ghana did not seek the removal of preferences which would harm some developing countries. Developing contracting parties could assist in the formulation of measures aimed at the phased removal of preferences with appropriate compensation.

Mr. LALL (India) noted that the Working Party had been preoccupied with the compatibility of the Convention with the provisions of Article XXIV and had taken less account of the trading interests of both associated States and of other countries. It would not be proper for other contracting parties to attempt to assess the trading interests of the associated States and his delegation welcomed the fact that the Convention enabled these States to develop their trade and diversify their economies. Another welcome feature of the Convention was the provision for compensation in cases where preferential advantages were reduced. The Indian delegation recognized that the generalization of preferences for developing countries would involve losses for some of them. He would not, therefore, ask developing countries to give up advantages they currently enjoyed since it was obvious they could do so only if they received compensation; such compensation would, in fact, have to be provided by their developed partners. For this reason, he had noted carefully the point made by the representative of the United States and he hoped that further consideration of this matter would lead to a solution to the problem of compensation.

The Convention provided for the according of advantages to the member States of the Community by the associated States in a manner which was inconsistent with Part IV of the General Agreement and it would now seem appropriate for the Working Party to consider the compatibility of the arrangements with Part IV. If such an exercise were to be undertaken, it would enable a clearer appraisal of the intensification of discrimination implicit in the Convention. This discrimination ran counter to the general desire to see developing countries expand trade amongst themselves. He was sure that the associated States wished to expand their trade with other developing countries but he would not ask them to seek a release from this obligation under the Convention since they might thereby lose advantages they enjoyed in the markets of the Community. Instead he would request the member States

of the Community to forego unilaterally the advantages they derived under the Convention. He had been led to believe that such advantages were not meaningful in trade terms and it should therefore be easy for them to be dispensed with.

Paragraph 5 of the report of the Working Party indicated that thirteen of the associated States had already removed customs duties on imports from the Community, retaining fiscal duties on a small number of locally produced items and that, therefore, signatories to the Convention considered that doubts could be dispelled concerning the final establishment of permanent free-trade areas. It would seem that the provisions of Article XXIV were exercising pressure on the associated States to maintain discrimination against third countries, including developing countries. It was questionable whether it was appropriate to interpret the provisions of Article XXIV in a manner which caused the associated States to maintain this type of discrimination and the CONTRACTING PARTIES might seek to remove this type of pressure. His delegation would therefore suggest that discussion on the compatibility of the Convention with Article XXIV was harmful and should not be carried further; attention should now be paid to the compatibility of the Convention with Part IV. Article XXIV, together with the Articles of Agreement of the International Monetary Fund, also seemed to be exercising pressure in connexion with quantitative restrictions, since the associated States felt obliged to remove such restrictions on imports from the Community whilst maintaining them against other countries. Paragraph 10 of the report referred to arrangements for making foreign currency available to pay for the imports of certain associated States; he hoped that the application of foreign currency controls would not have the effect of intensifying discrimination. The provisions of the Convention exercised pressure on associated States to intensify discrimination, as regards both tariffs and quantitative restrictions, against the trade of third countries, particularly developing countries and to increase preferences contrary to Articles I, XXXVI and XXXVII of the General Agreement. He would suggest that the points he had raised should be looked into further by the Working Party.

Mr. SCHWARZMANN (Canada) said that the report of the Working Party and the statements made indicated a divergency of view among contracting parties on the subject and the concern of some over the compatibility of the Convention with the General Agreement. Canada sympathized with the objectives of the Yaoundé Convention to foster economic growth and trade diversification in the associated States. Canada enjoyed the closest relations with the associated States and appreciated their problems and the importance of the decision they had taken in entering into the arrangements under the Convention. On the other hand his delegation was conscious of the legal aspects and of the repercussions of the Convention on the trade of other contracting parties, particularly developing countries. It was, therefore, in the interests of all contracting parties that the matter should be kept on the agenda of the CONTRACTING PARTIES so that attention could be paid to the practical effects of the arrangements and to the interests of third countries.

Mr. AYUB (Pakistan) recognized that the Convention arose from historical ties between the associated States and the member States of the Community. It would be inappropriate for other contracting parties to advise the associated States as to their trade interests and their arrangements with the Community. His delegation was, however, concerned over the impact of the Convention on the General Agreement and on the trade of the Community and the associated States with third countries, particularly developing countries. He agreed that the Convention should not just be considered in the light of the provisions of Article XXIV; since it might constitute a precedent for other similar arrangements it was not unreasonable to request the Working Party to review the Convention in the light of the provisions of Part IV. Time alone would show the impact of the arrangements on the trade of third countries but there could be no doubt that developing countries would find it difficult to compete, in the markets of the associated States with imports from the Community were the latter to enjoy exemption from duty and restrictions.

The CONTRACTING PARTIES should seek constructive solutions to the economic and trade problems of the associated States to compensate for any loss of benefits they currently enjoyed in the way of preferences, special price and purchasing arrangements and financial aid; they could do so by agreeing on a general preferential scheme, by formulating arrangements for those commodities in which the associated States were principally interested, by providing for adequate economic aid, either by the Community alone, or by other countries as well. He would, therefore, support the suggestion that the matter be retained on the agenda of the CONTRACTING PARTIES.

Mr. EFFOUDOU (Cameroon) said that he could not support the suggestion that the Convention be considered in the light of Part IV. He noted, in this connexion, that the representative of India had at the twenty-second session, expressed doubts as to the compatibility of the Convention with Article XXIV and he assumed, in view of the latter's suggestion that the matter now be considered under Part IV, that these doubts had been dispelled. The Convention had been criticized on the ground that it provided for preferences; preferences were however a feature of free-trade areas and customs unions and arrangements such as the EEC and European Free Trade Association might also be prejudicial to the interests of third countries. There was no provision in Article XXIV preventing the formation of free-trade areas between developing and developed countries. It was inappropriate for other contracting parties to give advice to the associated States which had entered into the Yaoundé Convention as free and independent countries.

Mr. NAZAFINDRABE (Madagascar) referred to the suggestion by the representative of India that the Yaoundé Convention should be considered in the light of Part IV. He pointed out that other regional integration arrangements had always been considered in terms of Article XXIV, and he doubted whether it would be appropriate to change this procedure. It might have been possible to take into consideration the concepts embodied in Part IV had these existed when negotiations on the Yaoundé Convention were under way; it was now, however, too late. Whereas there was provision, under paragraph 11 of Article XXIV for trade arrangements between India and Pakistan, there was nothing in the Article to meet the special needs of the associated States. The associated States were fully prepared to contribute towards the finding of solutions on a global basis to the problems of developing countries, but they were not prepared to see the destruction of the arrangements they had negotiated with the Community. It was possible that the Community might argue that the criticisms of the Yaoundé Convention were a reason for dismantling the arrangements under the Convention; in these circumstances countries such as India would not be in a position to help the associated States. The developing countries had, in the UNCTAD, agreed to dismantle all existing preferences "pari passu with the effective application of measures ..... providing at least equivalent advantages". Emphasis should therefore be placed on the formulation of international measures to compensate for loss of preferences. Action in relation to tariffs was not enough and it was necessary that such an examination should embody also the question of price, price support, internal taxes and distribution margins. He added in this connexion, that producers of coffee and cocoa received, in some cases, only 10 or 20 per cent of the final consumer price. Associated States had always maintained that the Convention had not harmed other developing countries but if it could be shown that it did then they would be willing to review it. Associated States were ready to discuss the matter in all forums.

Mr. TOURE (Mauritania) referred to the useful work undertaken by the Working Party which had clarified a number of points arising from the Convention. Third countries were unable to provide evidence of harmful effects to their trade resulting from the association arrangements. Instead, concern had been expressed on the basis of theoretical considerations over the future evolution of trade. The problems confronting the developing countries had been discussed by a number of bodies and, although these discussions had not yet produced practical solutions, some progress had been made, such as the insertion of a Part IV in the General Agreement. He believed that all developing countries were conscious of the inadequacy of Part IV as a solution to all their problems; but it did at least improve the General Agreement which had been drafted before the problems of developing countries were generally apparent.

Those who had negotiated the Yaoundé Convention were aware of the interests of third countries, particularly developing countries, and they were also mindful of the trend in world trade towards liberalization. However, the associated States had needed to take concrete steps to meet their present difficulties. One of the advantages of the Convention was the facility that left it open to other developing countries, at a similar stage of development, to enter into association, or other arrangements, with the Community. It had been suggested that the provisions of Article XXIV exerted pressure on the associated States to introduce measures detrimental to the trade of non-associated developing countries. He suggested that the maintenance of the item on the agenda would also lead to such undesirable pressure, to the detriment of the associated States. The incompatibility of the Convention with Article XXIV could not be demonstrated. Trade between developing and developed countries, with a view to the development of the latter, was a prominent item on the agenda of the CONTRACTING PARTIES, and the problems of preferences went beyond those inherent in the Convention. He would, therefore, suggest that the Yaoundé Convention be considered within the framework of a more general discussion of preferences. Accordingly, the CONTRACTING PARTIES should confine themselves to taking note of the report of the Working Party.

Mr. LALL (India) said that it was easier for India, which benefited from Commonwealth preferences, to appreciate the position of countries which enjoyed preference in the markets of developed countries, than it was for developing countries which had never enjoyed such preferences. He would therefore be happy to leave the associated States out of the discussion of objections to the Convention and to concentrate on those objections which arose from the inconsistency of the Convention with Part IV. His delegation would be satisfied if the CONTRACTING PARTIES should decide that an appropriate body could examine (a) the compatibility of the Convention and other similar arrangements as regards treatment accorded to imports from developed countries, with the provisions of Part IV; and (b) the international measures necessary to ensure the success of any international scheme of generalized preferences for developing countries. India had no objections to the benefits enjoyed by the associated States in the market of the Community and he would agree, with the representative of the Cameroons, that the Convention stood in the same relationship to Article XXIV as, for example, the Rome Treaty. Accordingly, in the light of the experience gained in examination of the Rome Treaty, he would consider it unnecessary to examine the Convention further in terms of the provisions of Article XXIV. His delegation was ready to comply with suggestions of other CONTRACTING PARTIES concerning the procedures for the examination of the two points he had raised.

Mr. ASTRWINATA (Indonesia) wished to associate his delegation with the statements made by the representatives of Brazil and Ghana.

Mr. LERENA (Argentina) whilst not wishing to criticize those aspects of the Convention which benefited some developing countries, expressed fears as to the effects of the Convention on non-associated developing countries because of the discrimination arising from its implementation. He hoped that the proposals of Mr. Lall would serve as an acceptable basis for reaching a solution on this question.

Mr. SCHLOSSER (Commission of the EEC) referred to statements concerning compatibility of the Convention with Article XXIV. He noted that some representatives had considered that the Convention was incompatible of the Article XXIV and that others were of the view that Article XXIV would not seem to cover such arrangements as the Convention. In negotiating the Convention, the parties to it had acted within the framework of the existing legal position in the light of economic circumstances prevailing, and not in consideration of other concepts or philosophies. The compatibility or otherwise of regional integration arrangements had to be considered, not in the light of commercial criteria, but on an institutional basis. Reference had been made to the absence of a "plan and schedule" and to the gap between the economies of the member States of the Community, and those of the associated States. In many cases a free-trade area, as prescribed in Article XXIV, had been achieved and in others such a free-trade area would be achieved in a few years. As regards the gap between the economies of the parties, he noted that there was nothing in Article XXIV to prevent the formation of a free-trade area between developed and developing countries. Moreover, there was no reference in Article XXIV to the provisions of Part IV of the Agreement, nor vice-versa. Reference had been made to the fact that the Convention permitted associated States to impose duties or other charges on imports from the Community. He did not consider that, in practice, this facility would be used to an extent which would detract from the concept of "substantially all the trade" embodied in Article XXIV. On the question of procedure, he noted that the Convention could be placed on the agenda of the CONTRACTING PARTIES at the request of a contracting party which considered that it had a pertinent point to raise, and this would seem to be the simplest solution; or, the question could be retained on the agenda of the CONTRACTING PARTIES on the same basis as that employed in connexion with other regional groupings.

Mr. EFFOUDOU (Cameroon) said that following the explanation given by the representative of the Community concerning procedures, he would accept the retention of the matter on the agenda of the CONTRACTING PARTIES on the understanding that this would be for the purposes of information only.

Miss LOVAT-WILLIAMS (United Kingdom) gave notice, in accordance with Rule 2 of the Rules of Procedure, of a request that this item be included in the agenda for the twenty-fourth session.

In summing up the discussion the CHAIRMAN suggested that the CONTRACTING PARTIES should:

- (a) adopt the report of the Working Party,
- (b) note the diverging views which exist with regard to the compatibility of the Yaoundé Convention and the arrangements for the association of non-European countries and territories with the General Agreement,
- (c) place the item on the agenda for the twenty-fourth session,
- (d) note that this would not prejudice the responsibilities of the CONTRACTING PARTIES under the General Agreement nor the rights of individual governments under relevant provisions of the GATT.

The Chairman's suggestions were approved.

Mr. SCHLOSSER (Commission of the EEC) said that he presumed that contracting parties wishing to discuss the matter at the twenty-fourth session would indicate, at the meeting of the Council of Representatives preparing for the session, what specific points they wished to raise.

The CHAIRMAN noted that the representative of India had suggested that the Yaoundé Convention should be examined in the light of Part IV and that there should also be an examination of the international measures necessary to ensure the success of any general preferential scheme for developing countries. Both these proposals went beyond the scope of the present item, but he would assume that the proposals could be deliberated upon and brought before the CONTRACTING PARTIES at a later date, on the initiative of a contracting party.

2. European Economic Community - Rome Treaty and Agreements of Association with Greece and Turkey - information furnished (L/2616, L/2621 and L/2622)

The CHAIRMAN recalled that, at an earlier meeting, the spokesman for the Community and the representatives of Greece and Turkey had respectively made statements concerning progress made in the implementation of the Rome Treaty (L/2616) and the Agreements of Association between the Community and Greece (L/2622) and Turkey, (L/2621).

Mr. ASTRAWINATA (Indonesia) said that his delegation had taken careful note of the statement of the representative for the European Economic Community. The effects of the implementation of the Rome Treaty and of the various Agreements of Association were of vital importance for trade between the Community and third countries, particularly developing countries. The spokesman for the Community had indicated that, in 1965, the Community's imports from third countries were 75 per cent higher than they had been in 1958, whilst the figure for exports was

68 per cent higher and he had suggested that this trend was indicative of the absence of harmful repercussions for third countries arising from the implementation of the Rome Treaty. The spokesman for the Community had also alluded to the fact that the Community's trade deficit with developing countries had, in 1965, reached \$3,100 million. He would, however, enquire how much of this deficit was caused by imports of oil and oil products, since these were exported by only a limited number of developing countries. While he would accept that the creation of the Community had generally had the effect of promoting trade of third countries, there were cases, and there were likely to be more in the future, when the implementation of the Common External Tariff would cause trade diversion to the detriment of third developing countries. He appealed to the Community to do what it could to avoid, or at least compensate for, detrimental effects on the trade interests of non-associated developing countries, arising from the entry into force of the Common External Tariff and the Association Agreements. It would not be in the long-term interest of the Community to grant preferences to a group of countries to the detriment of the developing countries as a whole since this would run counter to the objective of the Rome Treaty to expand trade. A number of Indonesian products were threatened with becoming non-competitive in the markets of the Community with the definitive application of the Common External Tariff. It was his understanding that consideration of the interests of third developing countries was still being undertaken by the Commission of the EEC, and he hoped that the Commission would be able to take fully into account the points they had raised. Further, discussions between the Commission and interested developing countries on this matter would be both advisable and useful.

Mr. AYUB (Pakistan) said that he was happy to note, from the comprehensive statement of its representative, that the Community attached importance to its trade relations with developing countries. He presumed that the adverse balance of the Community's trade with the developing countries covered imports of oil and petroleum products as well as non-ferrous metals and would welcome a breakdown of statistics to show the value of imports from petroleum producers and other developing countries. Pakistan had not shared in the growth of imports from developing countries into the Community. In 1963/64 the value of Pakistani exports to the Community was 75 per cent of their value in 1957/58. In 1963/64 Pakistan's deficit in trade with the Community amounted to \$95 million and exceeded her exports to the Community. The Community's share in Pakistan's exports, which amounted to 21 per cent in 1958/59, had declined to 14.6 per cent in 1963/64. The problems confronting Pakistan's trade with the Community had been discussed in Brussels and he was sure that the Community recognized these problems and were anxious to find solutions. It had, however, been pointed out that Pakistan should expect the solution of these problems within the context of the Kennedy Round and it was, therefore, a matter of concern to his Government that trade negotiations had not yet been extended to the problems of the developing countries.

Although Pakistani exports of raw materials and primary commodities were not faced with barriers in the Community, it was a cause of concern to his Government that the main manufactured products exported by Pakistan were included on the Community's exceptions list. He hoped that the bilateral negotiations currently being held with the Community would lead to the latter's giving more serious consideration to providing easier access for Pakistani manufactures. The Community had not yet made its offers on agriculture, so it was not known how the Community intended to deal with Pakistan's agricultural exports. The position of Pakistan in this regard was difficult because she was neither a principal nor substantial supplier of items she exported. Pakistan was waiting for the formulation of rules to govern negotiations on agricultural products, as an indication of the way her interests were to be treated. He hoped that, in implementing the Common Agricultural Policy, and in making offers within the context of the Kennedy Round, the Community would take into account the interests of small exporters of agricultural products, such as Pakistan. He hoped that the Kennedy Round would result in a better balance in the trade between Pakistan and the Community.

Mr. BOSCH (Uruguay) said that as the spokesman for the Community had indicated, the representatives of Latin American countries in Brussels had had the opportunity of jointly presenting their views on how the Community could improve access for their products. He was pleased to note that the Community had decided to prolong certain of the suspensions in the Common External Tariff and had maintained quotas for imports at rates below the bound rates. His country was following with interest measures being adopted by the Community to counteract dumping and subsidies, and noted the assurance, that had been given, that these measures would conform to Article VI. He hoped that the common price to be established for bovine meat would not be so high as to necessitate the imposition of restrictions such as levies which could have the effect of completely excluding imports. Uncertainty in relation to the variable levies affected exporters, from countries such as his own, who could not know what treatment their exports would receive on arrival at European ports. Although statistics varied according to whether c.i.f. or f.o.b. values were employed, it would seem that trade between the Latin American countries and the Community had recently developed favourably. These favourable developments were attributable to the economic strength of the Community and shortages of certain commodities on world markets. Unfortunately, statistics prepared by the Community and for the European Parliament indicated that preferences accorded by the Community to associated States were starting to have detrimental effects on the trade of third countries.

Mr. MILANOVIC (Yugoslavia) said that the importance attached by his delegation to the statements on progress made in integration arose from the fact that a large portion of Yugoslavia's exports, particularly agricultural products, had in recent years been orientated towards the Community. It was understandable that this

orientation of exports was a factor determining the source of Yugoslavia's imports, given the close interdependence between exports and imports in Yugoslavia. Changes could occur in the level of exports and such changes were not always caused by integration measures; however, in the case of a number of products of considerable interest to Yugoslavia, exports to the Community had been undergoing a constant reduction and this reduction had coincided with the introduction of integration measures. Moreover, Yugoslavia's exports to industrialized countries, which were not members of regional integration arrangements, had increased at a faster rate than those to countries parties to such arrangements. The fall-off in Yugoslavia's exports to the Community was a source of concern, and experts from both sides had examined the problem. He hoped that efforts to find practical solutions would meet with the necessary goodwill. It was important that the Community, in formulating its commercial policy, should take account of the interests of third countries. Apart from the bilateral discussions aimed at finding a solution to Yugoslavia's trade problems with the Community, there remained the perhaps more important opportunity presented by the Kennedy Round. In this connexion it had, however, to be noted that a number of items of great interest to Yugoslavia appeared on the Community's exceptions list. He hoped that the Community would show the same appreciation of Yugoslavia's problems as they had in bilateral discussions during the course of negotiations within the Kennedy Round and, in this connexion, he took note of the assurances given by its spokesman that the Community was fully aware of the trade needs of the developing countries.

Mr. LERENA (Argentina) congratulated the Community on the progress made in integration. However, the recent measures adopted concerning prices of bovine meat were potentially harmful to Argentina's trade, particularly as the Community was an important outlet for Argentina's export of this item. The level of prices fixed would determine internal price levels and, thereby, the extent of the variable levies. The prices decided upon could cause the application of variable levies on a permanent basis. Argentina's misgivings on this score had been elaborated in Committee II and in the Meat Group, where attention had been drawn to the dangers of high domestic prices and variable levies. On those occasions, the spokesmen for the Community had said that such concerns were unfounded as a high level of prices should not be assumed and that levies were only to be employed to avoid market disruption. In a spirit of co-operation, Argentina had offered, because of the weakness of the market as a result of over-supply, to programme her sales to the Community in alignment with offerings from domestic sources. Plans to this end had been effected as regards the French, German and Italian markets. The application of levies on imports might cause additional harm to Argentina if the levy should be raised as a result of increased domestic production or of a decline in domestic demand.

The Community had expressed support for the principle of the international organization of markets. In negotiations on agricultural products, the Community had proposed the binding of maximum support margins as the means of bringing about global solutions and, in this context, the recent measures taken in connexion with the prices of bovine meat could only be regarded as retrograde. The 1965/1966 prices fixed for bovine meat in some member States implied the imposition of variable levies, rendering exportation to these markets extremely difficult. In some cases, moreover, the price levels established were higher than average market prices in recent months. The establishment of such price levels caused pessimism as to the prospects of finding a satisfactory solution in the Kennedy Round by means of support price bindings, since negotiations would have to start from high price levels. In conclusion, he hoped that the Community would take into account these considerations when establishing a common guide price for bovine meat.

Mr. PRESS (New Zealand) said that his delegation was particularly pleased to note, in the statement in document L/2616, that the Community was now in a position to deal urgently with decisions which had been in abeyance. The interest of delegations such as his own in such decisions was a commentary on the importance of the Community in world trade. The somewhat erratic progress of the Community in achieving integration posed problems for third countries because it was difficult for them to forecast future conditions of trade. The statement in paragraph 2 on page 4 of L/2616 that the actual evolution of the Community's trade was "a continued confirmation that the Common Market is naturally and increasingly open to the trade of the rest of the world. and ..... that this trend is governed by permanent factors ..... " was hard to sustain. The maintenance of such a trend would entail price and production policies of a kind that would ensure a share of the Community's market for efficient and competitive third country suppliers. Without such policies, the internal pattern of production could change to the detriment of outside suppliers. Assurance on this point had not so far derived from the Community's Common Agriculture Policy.

He considered that the statistics provided by the Community were insufficiently detailed to give a complete picture as regards trade and trends in respect of individual commodities and the field covered in the report was so large that it was difficult, at plenary meetings of the CONTRACTING PARTIES, to give adequate consideration to the many topics involved. He would suggest, therefore, that at future sessions, a working party be created to consider information supplied by the Community. New Zealand noted that statistics showed that the Community's imports had been increasing and he hoped that his delegation's misgivings concerning future trends would be unfounded.

Mr. LALL (India) recalled that the Chairman of the CONTRACTING PARTIES had, at the twenty-second session, indicated that over half of the contracting parties participated in regional groupings. He noted too, that this trend, set in motion by the Community, had, during the past year, gathered momentum. The Chairman of the CONTRACTING PARTIES had also stated, at the twenty-second session, that the increase in regional integration had far-reaching implications for the General Agreement. The concept of non-reciprocity by developing countries in their relations with developed countries had been incorporated in Part IV. It was too early to assess the impact of the provisions of Part IV and of the changes in outlook as regards obligations towards developing countries, either on the provisions of Article XXIV or the techniques employed by regional groupings to implement integration. He would suggest, however, that, while continuing, if it should so be desired, to focus attention on the compatibility of regional arrangements with Article XXIV, the time had come to take a dynamic and not a static view of the General Agreement itself and to consider, inter alia, first the inter-relationship between the intra-regional expansion of trade and the expansion of world trade and, secondly, to determine, from knowledge gained in the study of these regional groupings what changes were required in the provisions of the General Agreement, in order to ensure the fulfilment of its basic objective of expansion of international trade. In making these suggestions, he was not implying that there was any inherent contradiction between the expansion of intra-regional trade and world trade.

He noted, from paragraph 2 on page 4 of document L/2616, that intra-Community trade had trebled between 1958 and 1965 and that this growth "... generates constantly increasing demand for products from the rest of the world". In subsequent pages it was indicated that imports had increased at a faster rate than exports, with the result that there had been a marginal deterioration in the Community's trade balance. He noted too, from page 6, that the Community was the principal customer of the developing countries and that imports of semi-manufactured and manufactured products from these countries had increased by 120 per cent between 1958 and 1965. It had, however, to be noted that the Community's imports from the developing countries were increasing at a slower rate than its imports from the developed countries. Moreover, the increase in imports of semi-manufactures and manufactures from developing countries was slower than the overall rate of increase of imports from the developing countries and that, if such items as semi-tanned skins and copper were excluded, the rate of growth in this sector would be shown to have been smaller. He was doubtful as to the coverage of the term "Far East" on page 5, but it had to be noted that the contribution of India and Pakistan to the Community's trade, both as regards imports and exports, had been the slowest growing. He would draw the conclusion from this that the impact of the Community's prosperity would not of itself be sufficient to solve some of the trading problems of the developing countries in their relations with the Community. The Indian Mission in Brussels had held bilateral discussions with representatives

of the Commission which had provided the former with an opportunity for giving an up-to-date account of the problems confronting their trade with the Community. Moreover, the European Parliament had discussed India's problems and had passed two helpful resolutions thereon. During the course of the discussions in the European Parliament, Mr. Jean Rey had described India's problems as immense in comparison with the means available for their solution but had indicated that this was not an excuse for not seeking, in common with others, solutions to these problems. Referring to the suspension of tariffs on certain items of interest to India, which the Community had introduced in conformity with the principle of non-reciprocity even before the formulation of Part IV, Mr. Rey had said that the action taken was more of a token than of any real economic significance and that, if real help were to be extended to India, the Community could not restrict itself to concessions of this kind. Mr. Lall hoped that, before the twenty-fourth session, the promises held out in these statements would be fulfilled, either through bilateral contacts or through the multilateral negotiations under way. He would suggest that sufficient attention had now been given to the technical solutions practicable within the framework of the Community's traditional policies and within the framework of the General Agreement. He hoped that the internal difficulties confronting the Community would soon be resolved so that the Council of Ministers would be able to consider the problems he had mentioned so that the Community's representatives in the GATT would be able to contribute to a solution.

Mr. SCHLOSSER (Commission of the EEC) thanked those representatives who had expressed satisfaction with the information supplied. The Community was always willing to provide supplementary information but he could not, at this time, enter into all the details of the observations made. On the point raised by the representatives of Indonesia and Pakistan, concerning the breakdown of imports from developing countries, he could state, provisionally, that petroleum and petroleum products were not included in the figures quoted for imports from developing countries, but he reserved the right to pass supplementary information on this point to the secretariat. In accordance with the request made, he would transmit to the secretariat a breakdown of import statistics by country and this could appear in an addendum to L/2616. Representatives had also alluded to the fact that products of interest to them were contained in the Community's exceptions list. He suggested, however, that the problems raised in this connexion could not properly be dealt with bilaterally, and he would expect that mutually satisfactory solutions would result from multilateral negotiations.

The representative of Argentina had referred to the recent action of the Council of Ministers in setting prices for bovine meat. Mr. Schlösser agreed that the establishment of high prices could have effects on production and, therefore, on imports, but this of course applied to prices established by Argentina's other trade partners. The variable levies, also alluded to by the Argentine representative, were a function, not a cause, of the chronic instability

of international markets for bovine meat. The Community's proposals in the Kennedy Round were aimed at terminating this instability. Representatives had indicated that their exports to the Community had declined, or at least had not grown as fast as the average. It was not clear whether reference was being made to overall trade or to particular commodities. It was, however, relevant, in this connexion, to note that the trade patterns for individual products had changed within the member States of the Community, but production losses in respect of some items were more than compensated for by the increase in individual countries' overall trade. The representative of Pakistan had mentioned that his country's exports to the member States had declined in the years immediately following the establishment of the Community. That such reductions had occurred before the introduction of integration measures would seem to indicate that there were reasons for them other than those ascribed by the representative of Pakistan. The representative of India had drawn attention to the fact that his country's exports to the Community were not increasing at their previous rate. It was relevant, Mr. Schlösser suggested, to enquire whether India's exports to other industrialized countries were growing as fast as they had done earlier. He took careful note of the importance attached by the representative of India to Mr. Rey's statements in the European Parliament.

The representative of New Zealand had referred to the short time available for consideration of the Community's report and had suggested that alternative machinery should be devised for dealing with this matter, so as to enable a more detailed examination of the Community's progress towards integration. It was important, Mr. Schlösser suggested, to clear up a possible cause of misunderstanding in this regard. The purpose of the Community's report was to provide information; the creation of a working party to consider, on the basis of more detailed statistics, the evolution of the Community, would not seem appropriate. The Community accepted that the debate in the CONTRACTING PARTIES should be an opportunity for contracting parties to make general statements, and even to pose supplementary questions, but he would not be prepared to go further than this. The observation made by representatives would be conveyed to the appropriate authorities in Brussels, where they would receive attention.

The CONTRACTING PARTIES took note of the statement of the representative of the Community (L/2616).

The meeting adjourned at 6.15 p.m.