

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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COUNCIL  
6 July 1964

## MINUTES OF MEETING

Held at the International Labour Office, Geneva  
on 6 July 1964

Chairman: Mr. K.B. LALL (India)

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1. Membership of Council

The Chairman welcomed the Islamic Republic of Mauritania as a member of the Council.

2. Secretariat accommodation (L/2235, C/W/78)

At its meeting in May the Council requested the Committee on Budget, Finance and Administration to consider the proposals put forward by the Executive Secretary for enlargement of the secretariat accommodation. The Committee met on 23 June and its report was distributed in document L/2235.

In presenting the report, the Chairman of the Committee said that no member of the Committee questioned the reasons which were given as to why additional premises should be made available for secretariat accommodation, or the soundness of the proposals for the construction of a second annex by Messrs. Durisol. The Committee had therefore proposed that the Council recommend to the CONTRACTING PARTIES that the Executive Secretary be authorized to enter into firm commitments regarding the construction of a second temporary office building. With regard to the financing of the project, the Committee agreed that the entire Surplus Account amounting to approximately \$92,000 should be put towards this purpose, and that a withdrawal not exceeding \$60,000 should be made from the Working Capital Fund subject to reimbursement through an increase in contributions by contracting parties to the 1966 budget. As for the raising of the remaining sum of approximately \$145,000, the Committee had suggested in paragraph 17 of the report that either this amount be included in toto in the 1965 budget, or be obtained by way of a low interest loan to be repaid over a period of five years, providing such a loan would be granted by the Federal Government of Switzerland. With regard to the latter suggestion the Committee was informed that the Swiss Government would not be in a position before the end of the year to say whether or not it would be able to grant a loan to the CONTRACTING PARTIES.

There was general support in the Council for the Committee's recommendation that a second annex should be built, and for the proposal to finance a part of the cost from the Surplus Account and the Working Capital Fund. With reference to the financing of the balance of the cost, most members appeared to prefer the proposal to do this by means of a loan rather than by charging it to the 1965 budget.

The Council agreed to recommend to the CONTRACTING PARTIES the adoption of the following decision by postal ballot:

- (i) That the Executive Secretary be authorized to enter into firm commitments regarding the construction of a second temporary office building;
- (ii) That the entire surplus account, standing at present at \$92,059 be put towards the financing of the project;
- (iii) That a withdrawal not exceeding \$60,000 be made from the Working Capital Fund, subject to reimbursements;
- (iv) That the balance of approximately \$145,000 be covered by a low interest loan to be repaid over a period of five years, providing such a loan can be obtained from the Federal Government of Switzerland, but that if such a loan cannot be obtained, the balance be included in the 1965 budget.

The Council recognized that the construction of the Annex was a matter of emergency as otherwise the work of the secretariat would be seriously impeded, and requested governments to consider the matter and cast their ballots with as little delay as possible, the authorization to proceed with construction to have immediate effect.

### 3. Applications for accession (C/W/76/Rev.1)

The Executive Secretary had distributed a note in document C/W/76/Rev.1 relating to questions of timing and procedures for the accession of a number of countries which had indicated their wish to accede to the GATT.

It was agreed that this item be left over until the next meeting of the Council in order to enable delegations to consider the matter more fully.

### 4. Article XV:6 - request for waiver by Cuba (C/42, C/W/73)

At the meeting of the Council in May, the representative of Cuba had submitted a request by his Government for a waiver from the obligation to enter into a special exchange agreement with the CONTRACTING PARTIES, as is required by paragraph 6 of Article XIV in the case of any contracting party which ceases to be a member of the International Monetary Fund. A memorandum by the Government of Cuba in support of this request was distributed in document C/42 and a draft decision prepared by the Executive Secretary for consideration by the Council was issued in document C/W/73. It was agreed that these documents would be examined by governments so that action could be taken at the present meeting of the Council.

The text of the draft decision proposed by the Executive Secretary in document C/W/73, was approved for submission to contracting parties for a vote by postal ballot. The ballot will close on 7 August 1964.

5. Turkish Schedule - request for waiver (L/2239)

A communication from the Government of Turkey requesting a waiver from obligations of Article II to permit the application of higher rates of duty on items bound in the Turkish Schedule in advance of renegotiations under Article XXVIII, was distributed in document L/2239.

The Turkish representative, in presenting his Government's request, outlined the problems currently confronting his country and the measures which were being employed to solve them. He said that significant changes had taken place in the economic situation of Turkey since the establishment of the existing Schedule XXXVII. The population of Turkey which at present was approaching 30 million was growing at the rate of 3 per cent a year. This population growth required an increase in agricultural production of at least 3 per cent a year and would certainly require more if consumption levels were to be improved and if exports were to be expanded. No further increase in agricultural production could be secured by bringing additional land into cultivation. Agriculture occupied nearly 80 per cent of the active population, a substantial part of which however, added little or nothing to output. The situation required a massive increase of investment and huge educational efforts. The national income per head was the lowest among European countries - roughly \$200 per person - and the consumption level was also inadequate. Disguised unemployment had assumed a great proportion in agriculture and continued to be a very serious problem to the Turkish economy. Industry, on the other hand, employed only about 10 per cent of the active population, and despite some impressive achievements its absolute and relative importance still remained very limited thus highlighting the under-developed character of the Turkish economy. Turkey had experienced a substantial deficit on its balance of trade in recent years fluctuating around \$200 to \$250 million per year. In contrast with neighbouring countries in a similar stage of economic development, Turkey suffered a net deficit on current invisible account of about \$20 million per year. To these problems the heavy legacy of the repayment of external debt should be added.

The introduction of the long-term development plan marked a new era in Turkish economic life. It enabled the Turkish people to see and comprehend clearly the nature of problems confronting the nation and the weaknesses inherent in the structure of the Turkish economy. The Plan also defined the social and economic objectives to be striven for, the methods to be followed, the instruments to be used and the appropriate priorities to be observed. The Development Plan was designed to achieve an average annual rate of growth of 7 per cent, to attain the highest possible volume of employment at satisfactory income levels while maintaining economic and financial stability and securing a balance of external payments, at the same time reducing the degree of reliance on direct controls and restrictions on trade. The Turkish Development Plan envisaged a mixed economy where the private and public sector could function side by side and in which the price mechanism and competition were allowed to play their full rôle. Direct controls such as quotas, prohibitions on imports and price fixing would be avoided as much as possible, and indirect measures, taxes and tariffs would be relied upon to influence the behaviour of the private sector.

The Development Plan stressed the development of industry and advocated the setting up of national substitutes for imports where feasible, as well as the creation of new export industries which would be the key to the solution of foreign exchange difficulties and balance-of-payment problems. The Plan also recognized the necessity of protecting the development of domestic industry. The preparation and adoption of the Plan was not enough to solve the many problems of a nation struggling to develop unless the continuous and troublesome task of its implementation was carried out, and unless the broad statements and underlying principles were courageously and effectively translated into legal and administrative practice. Development would be successful only if the directives of the Plan were continuously put into action and if current economic policies were strictly geared to the requirements of the Plan. Decisive steps had been taken by the Turkish Government to solve the problems of the appropriate reorientation of economic policies and fiscal legislation in order to ensure that timely action was taken to attain the objectives of the Plan. In order to secure funds for financing investment and other development expenditures, without resort to inflationary methods, and to raise permanently the elasticity of State revenue in relation to national income, an extensive tax reform had been initiated.

With a view to extending adequate protection to the newly expanding industries and to induce an inflow of foreign capital and to prevent an even more difficult balance-of-payments situation from developing without recourse to restrictive measures and further intensification of direct controls, a revision of the general tariffs on a selective basis had also been introduced. The new Tariff Act, No. 474 came into force on 25 May 1964. The Turkish tariff had not fulfilled its tasks and economic functions, since the absence of an adequate tariff protection had resulted in industries being protected through the use of quantitative restrictions which had undermined the future competitiveness of these industries. Further, the insufficiency of the tariff structure had impeded programmes by the Turkish Government which were aimed at a more liberal trade policy. These circumstances led the Government of Turkey, after the adoption of the Development Plan, to envisage a further revision of the customs tariff including items in Schedule XXXVII. The revision of the tariff would inevitably result in the modifications of certain concessions granted under the General Agreement, and the Turkish Government would be prepared in due course to engage in renegotiations with contracting parties. The Turkish Government considered it essential to complete and apply the revised Schedule as rapidly as possible, and therefore requested the CONTRACTING PARTIES to grant a waiver in conformity with the relevant provisions of the General Agreement. The interest of contracting parties would not be materially affected, nor would the volume of imports be substantially altered by the bringing into force of the revised Schedule, provided that foreign exchange was available.

There was general agreement to recommend that a waiver be granted to the Government of Turkey. However, it was felt that, as the matter had only recently been placed before the Council, the terms of the waiver would require some consideration and might best be referred to a working party.

It was agreed to establish a working party with the following composition and terms of reference:

Chairman: Mr. J.T. Martin (New Zealand)

Members:

European Economic Community	Turkey
India	United Kingdom
Israel	United States
Japan	Uruguay
New Zealand	

Terms of reference:

To prepare the text of a draft decision to meet the request of the Government of Turkey for a waiver from obligations under Article II for transmission to the contracting parties for a vote by postal ballot.

6. Negotiations under Article XXVIII:1 - extension of closing date  
(C/43 and C/43/Add.1)

In 1963 a number of contracting parties notified their intention to enter into negotiations under the provisions and procedures of paragraph 1 of Article XXVIII for the modification or withdrawal of certain concessions in their schedules. At the twenty-first session it was agreed that the negotiations which had not been concluded could be continued up to 30 June 1964. The Governments of Canada and Finland had submitted requests in documents C/43 and C/43/Add.1 respectively for a further extension of this closing date. The representative for South Africa said that his Government would also require an extension.

The Council agreed to authorize those governments which had not concluded their negotiations by 30 June to pursue these negotiations, if necessary, up to the close of the twenty-second session.

7. Australian invocation of Article XIX - extension of time-limit

The representative of the United States recalled that contracting parties were notified that on 14 May the Government of Australia, acting under Article XIX, would apply temporary increases in the duties on certain items of heat resisting glassware. This action involved partial derogation of an Australian GATT concession on item 25-250 E of which the United States was an exporter. As a substantially interested country, the United States wished to consult with Australia, but for various reasons it would be difficult to do this within the prescribed ninety days and the discussions with the Australian Government on the length of the additional time required to complete the consultation had not been completed. His Government therefore requested the Council to agree to an extension of the time-limit for completing the consultations but leaving the length of time and the precise terms of the extension to be decided by the Governments of the United States and Australia.

The Council agreed to an extension of the period provided for in paragraph 3(a) of Article XIX, the terms of the decision and the length of the extension to be settled by mutual agreement between the governments of the United States and Australia.

8. United States tariff classification - progress in renegotiation

The representative of the United States made a statement for the information of contracting parties on the progress of the renegotiations under the waivers granted on 20 July 1963 and 26 June 1964. A delegation of the United States Government had been stationed in Geneva from October to December 1963 to conduct these negotiations but had been unable to complete all of them at that time. It was now proposed to send a delegation to Geneva in September in the hope that the outstanding negotiations could be completed. His Government hoped that the contracting parties concerned would inform the United States Government early in August whether they would be able to engage in negotiations at that time, and of the dates in September which they would find most convenient.

9. Balance-of-payments restrictions

(a) Reports on consultations with Ceylon and South Africa (L/2227 and L/2224)

The Committee on Balance-of-Payments Import Restrictions met in May and carried out a consultation under the provisions of Article XVIII:12(b) with Ceylon and pursuant to Article XII:4(b) with South Africa. The Committee's reports on these two consultations were distributed in documents L/2227 and L/2224.

The Chairman of the Committee in presenting the reports, said that unforeseen difficulties had prevented some countries from consulting at the time scheduled. Only two countries, Ceylon and South Africa, were consulted. As was customary the International Monetary Fund had been invited to consult with the CONTRACTING PARTIES and the Fund had contributed its usual invaluable assistance. He recalled that one representative on the Committee had expressed his Government's concern that documents for the consultations had been issued too late to permit adequate study of them especially in capitals distant from Geneva. The countries which would consult in the autumn were urged to make a special effort to comply with the deadlines which they would be given for the submission of background material.

The Council took note of the two reports and agreed to recommend their adoption by the CONTRACTING PARTIES at the twenty-second session.

(b) Chairmanship and membership of the Committee

The Council agreed that Finland should be appointed to the membership of the Committee on Balance-of-Payments Import Restrictions to fill the place vacated by Norway.

Mr. J. VOUTILAINEN (Finland) was appointed Chairman of the Committee.

10. Recourse to Article XXIII by Uruguay

The representative of Uruguay recalled that a Panel was set up in February 1962 to examine certain questions put by Uruguay under the provisions of paragraph 2 of Article XXIII and to report thereon. The Panel submitted two reports and the first of these (L/1923) was approved at the twentieth session. On that occasion the CONTRACTING PARTIES made certain recommendations to several governments requesting these governments to examine forthwith the elimination of measures, the maintenance of which could impair or nullify the benefits accruing to Uruguay from the General Agreement. In a second report prepared by the Panel (L/2074) the measures taken by the countries concerned were reported with a view to showing whether or not they had complied with the recommendations of the CONTRACTING PARTIES. A revised version of a table prepared by the delegation of Uruguay, listing certain restrictions applied to the trade of Uruguay by a number of countries, was recently circulated in document L/1662/Rev 1. This table indicated that, whereas there were 1,576 restrictions applied to the trade of Uruguay before the Article XXIII action was initiated, there were now 1,658 such restrictions. If this table should be incorrect in any respect it would be appreciated if the countries concerned would inform the Uruguayan delegation.

In view of this situation his delegation now requested the Council to take note of the second report submitted by the Panel (L/2074) and that the Panel be reconvened. The Panel should be instructed to consult with the countries affected by the recommendations already formulated by the CONTRACTING PARTIES, and to determine to what extent they could better comply with these recommendations. The Panel should also be requested to make recommendations to the CONTRACTING PARTIES concerning the new restrictions which appear in document L/1662/Rev.1. Further, the Panel should study the various measures which the countries concerned claim to be compatible with the General Agreement or with the Protocols for their accession, with a view to determining whether they are in fact compatible. In paragraph 19 of document L/1923 it was indicated that for the reasons given in paragraphs 16 to 18, the Panel was not in a position "to sustain Uruguay's claim regarding nullification or impairment in respect of a number of cases". In the view of the Uruguayan delegation it was now appropriate to request a ruling by the Panel on this particular problem.

Finally, his delegation suggested that the Panel be requested to report when its work was accomplished. The Uruguayan delegation hoped that the necessary arrangements and preliminary work would be undertaken in advance so that at a meeting to be held in September the Panel would be able to undertake an active examination of the problems concerned without any loss of time. The delegation of Uruguay was prepared to supply any additional documentation the Panel might require.

The Council agreed:

- (i) to take note of the latest report by the Panel contained in document L/2074;
- (ii) that the Panel be reconvened for the following purposes:
  - (a) to consult with the countries concerned as to how they could more fully comply with the recommendations previously submitted by the Panel and approved by the CONTRACTING PARTIES;
  - (b) in the light of information provided by the Government of Uruguay in L/1662/Rev.1, to examine the restrictions applied since the latest report by the Panel, and to submit recommendations;
  - (c) to take up, in the light of paragraph 19 of the Panel's first report (L/1923) the question of compatibility with the GATT referred to in paragraphs 16-18 of that report; and
  - (d) to report on the foregoing.

Further the Council agreed that the Panel, subject to consultation with its members, would meet on 21 September and that arrangements should be made in advance so that the Panel could proceed rapidly at that meeting with its consultations with the contracting parties concerned.

#### 11. Appointment of working parties

At its last meeting (C/M/20) the Council established the terms of reference for the working parties which were to examine the Agreement creating the Association between the European Economic Community and Turkey and the Convention of Association between the Community and the Associated African and Malagasy States. Governments wishing to be members of the working parties were asked to inform the Executive Secretary.

(a) Working Party on EEC/Turkey

The Council agreed on the following composition.

Chairman: Mr. M.F. Sakellaropoulo (Canada)

Canada	India	Switzerland
Chile	Israel	Turkey
European Economic Community	Japan	United Kingdom
Greece	Southern Rhodesia	United States
		Yugoslavia

(b) Working Party on EEC/Associated African and Malagasy States

The Council agreed on the following composition.

Chairman: Mr. A. Weitnauer (Switzerland)

Australia	Ghana	New Zealand
Brazil	Greece	Nigeria
Cameroon	India	Switzerland
Canada	Indonesia	United Arab Republic
Chile	Israel	United Kingdom
European Economic Community	Japan	United States

It was also agreed that any other Associated African and Malagasy State which was a contracting party and wished to participate could do so.

12. Programme of meetings - September-November 1964 (C/W/77)

At its last meeting the Council fixed dates for certain committees and working parties which were to meet in the autumn months, and it was agreed that at a later time the dates for other bodies would be fixed. The Executive Secretary distributed a programme in document C/W/77 for consideration.

The following programme was approved:

14-? September	Committee on the Legal and Institutional Framework of the GATT in Relation to Less-Developed Countries
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Week commencing

21 September	Working Party on EEC/Turkey
21 September	Panel on Uruguayan Recourse to Article XXIII

Week commencing (cont'd)

28 September	Committee on Budget, Finance and Administration
5 October	Working Party on Relations with Poland
2 November	Committee on Balance-of-Payments Restrictions
9 November	Committee on Balance-of-Payments Restrictions
16 November	Special session of the CONTRACTING PARTIES
30 November	Cotton Textiles Committee

Meetings of Committee III, the Action Committee, the Working Group on Preferences, the Working Party on EEC/Associated African and Malagasy States, the Working Party on Regional Liaison Arrangements and Committee II (for the consultation with the EEC) will be announced after consultation with members.