

GENERAL AGREEMENT ON TARIFFS AND TRADE

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Chairman: Mr. K.B. LALL (India)¹

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¹In Mr. Lall's absence Mr. N.V. Skak-Nielsen (Denmark) and the Executive Secretary presided during parts of the meeting.

1. Legal and Institutional Framework - report by Committee
(L/2281 and Add.1 and Corr.1)

At the twenty-first session of the CONTRACTING PARTIES the Committee on the Legal and Institutional Framework of the GATT in Relation to Less-developed Countries, was requested to continue the examination of the questions referred to it and to submit a report to the Council so as to enable the Council to make recommendations to the special session of the CONTRACTING PARTIES. A report by the Committee was distributed in document L/2281 and Add.1 and Corr.1.

The Chairman of the Committee, Mr. SKAK-NIELSEN (Denmark), recalled that when the interim report had been discussed by the CONTRACTING PARTIES at their twenty-first session it was generally agreed that considerable progress had been made in the preparation of a draft Chapter on Trade and Development and that the Committee should continue its work. The Committee had recently concluded a further series of meetings and though much progress had been made there were still a small number of points on which agreement had not been reached. From the discussions in the Committee it had appeared that most of the differences on these points were not fundamental, and therefore, there should be no undue difficulty in securing agreement on them. The Committee, following a suggestion by the Executive Secretary, had recommended that the Council consider the setting up of a permanent Committee on Trade and Development with wide responsibilities. It was considered that as part of its task of administering the new Chapter this Committee should take over the work of Committee III and of the Action Committee and its subsidiary bodies. The terms of reference proposed were broad enough to ensure that the Committee would be able to deal with any matter affecting the trade of less-developed contracting parties.

Another recommendation of the Committee related to the establishment of a Legal Drafting Group composed of experts to ensure that the text of the Chapter was legally sound and to advise on the best means of bringing its provisions into force at the earliest possible date. The report also recommended that a Working Party be established to consider in the light of proposals which had been made or which might be made, whether Article XXIII should be amended. Finally, as the Committee did not have sufficient time to consider certain proposals which were made concerning amendments of Article XVIII, it had been agreed that the Committee should concentrate its work on the provisions of the new Chapter and that a review of Article XVIII could be dealt with later. The Committee had recommended that the Council make appropriate arrangements for carrying out this work.

During discussion of the report a number of representatives stressed the importance attached by their governments to the removal of the square brackets which remained in the draft Chapter. They felt that it might be useful if a conciliation group were established to meet before or during the special session to resolve the remaining differences.

Some representatives stated that while they understood the difficulties surrounding the problem of preferences, they regretted that no reference had been made in document L/2281 to this important question. One representative, referring to paragraph 3C(e), stated that the final acceptance of the Chapter by his Government was dependent on the inclusion of a provision on agriculture. Another representative said that his government could not accept the Chapter if it did not include some provisions along the lines of paragraph 4 in the draft.

Referring to paragraph 6 of document L/2281, one representative said that it would be very unfortunate if the Chapter did not contain a commitment along the lines of paragraph 3D of the draft, under which the developing countries would undertake to help each other. Some other representatives felt, however, that such a suggestion implied that the developing countries would be asked to undertake the same commitments as the developed countries; such a requirement would, in their view, be contrary to the purposes of the Chapter.

There was general agreement among representatives in favour of the establishment of a Committee on Trade and Development as recommended in paragraph 14 of the Committee's report. One representative considered that, in view of the importance of the Committee on Trade and Development, the Chapter itself should provide for the establishment of such a Committee. On the other hand, it was pointed out that the General Agreement did not in its present form make reference to the sub-organs required to assist the CONTRACTING PARTIES in carrying out their work. Furthermore, incorporation in the Agreement of such institutional arrangements could well be a handicap in the event that the CONTRACTING PARTIES should find it desirable, at a later stage, to adopt a revised organizational approach to their work under the Chapter.

The representative of Brazil drew attention to paragraph 12 of the Committee's report concerning collaboration with the United Nations on trade and development problems. Some members of the Council considered that the Committee's suggestion on this point raised complex issues which could best be dealt with after the text of the Chapter had been finally agreed.

After discussion the Council formulated its conclusions as follows:

The Council has reviewed the provisions in the draft Chapter annexed to the report of the Legal and Institutional Committee and notes that, while substantial progress had been made, it had not been possible to reach full agreement on certain points. The Council therefore, was of the opinion that a conciliation procedure should be put into effect on 16 November with a view to seeking solutions so that the CONTRACTING PARTIES may be able to proceed with the consideration and adoption of the proposed Chapter.

The Council took note of the recommendation in paragraph 16 of the report of the Legal and Institutional Framework Committee that a Legal Drafting Group should be set up composed of legal experts from members of the Committee which can make such experts available. The Council approved the setting up of a Legal Drafting Group which should submit its report to the CONTRACTING PARTIES as early as possible before the special session. The Council approved the following terms of reference for the Group:

- (i) to remove any legal drafting imperfections in the new Chapter;
- (ii) to ensure conformity between the texts in the two official languages;
- (iii) to make a recommendation on the most appropriate means for incorporating the Chapter in the General Agreement;
- (iv) to draw up the protocol of amendment.

The Council also considered those sections of the report of the Legal and Institutional Committee relating to the matters on which the Committee had not completed its study. The Council reached conclusions on the following points:

(a) Amendment of Article XVIII

The Council considered the request of the Legal and Institutional Committee that appropriate arrangements be made for examining proposals (including the Australian proposal - L/2165) for the amendment of Article XVIII and agreed that such proposals should be referred to the Legal and Institutional Committee for examination and that this Committee should report with appropriate recommendations to the Council.

(b) Amendment of Article XXIII

The Council considered a recommendation from the Legal and Institutional Committee that a Working Party should be established to review in the light of experience the operation of Article XXIII, taking into consideration the proposal by Brazil and Uruguay (L/2195/Rev.1, Annex 4) and any other proposals that might be put forward by contracting parties. The Council has examined this request and recommends that the Legal and Institutional Committee should undertake this task, to the extent that the proposals fall within its terms of reference, and should report with appropriate recommendations to the Council.¹

¹The Australian delegation reserved its position on this paragraph.

Establishment of Committee on Trade and Development

The Council took note of the proposal to set up an adequate permanent institutional framework for the effective supervision of the Chapter on Trade and Development and that such a framework should take over the functions of Committee III and of the Action Committee and its subsidiary bodies.

The Council recommends that the CONTRACTING PARTIES should envisage the setting up of a Committee on Trade and Development with appropriate terms of reference which might be formulated as follows:

1. to keep under continuous review the application of the provisions of the Chapter on Trade and Development;
2. to carry out, or arrange for, any consultations which may be required in the application of the provisions of the Chapter;
3. to formulate proposals for consideration by the CONTRACTING PARTIES in connexion with any matter relating to the furtherance of the provisions of the Chapter;
4. to consider any questions which may arise as to the eligibility of a contracting party to be considered as a less-developed contracting party in the sense of this Chapter and to report to the CONTRACTING PARTIES;
5. to carry out such additional functions as may be assigned to the Committee by the CONTRACTING PARTIES.

In this connexion, the representative of Brazil drew the attention of the Council to his remarks recorded in paragraph 15 of document L/2281, and reserved the position of his Government with regard to the recommendations contained in this paragraph.

The Council noted a suggestion that in view of the importance of the Committee on Trade and Development reference to it should be made in the Chapter itself. Some members of the Council drew attention to difficulties which might arise if this action were taken, but it was agreed that the Legal Drafting Group should look into the legal advisability of including in the draft Chapter appropriate reference to the machinery required for pursuing the work of the CONTRACTING PARTIES as provided in the Chapter.

2. Preferences - report by Working Party (L/2282)

At their session in March the CONTRACTING PARTIES instructed the Working Party on Preferences to continue its examination of the questions referred to it. The Working Party was requested to submit a report to the Council in time to enable the Council to submit recommendations to the special session of the CONTRACTING PARTIES. The Working Party's report was distributed in document L/2282.

Mr. LETTS (Peru), Acting Chairman of the Working Party, said that the meeting of the Working Party, held in October, was preceded by an informal meeting of governmental representatives which was helpful in defining the position of governments on the problems with which the Working Party was charged, and in securing an exchange of views on the procedures which the Working Party could usefully adopt to make further progress with its work. At the outset, the Working Party gave an opportunity for such contracting parties to submit proposals with regard to the possible insertion of a provision in the General Agreement enabling preferences to be established in favour of less-developed countries by other contracting parties and between less-developed contracting parties. As indicated in paragraph 11 of the report, the Working Party noted the various proposals which had been put forward and the views expressed on the subject.

The Working Party, without prejudice to the views expressed by various members, agreed that countries wishing to do so might submit detailed proposals, preferably by the end of the year, on the two points in its terms of reference. The Working Party had also suggested some of the points which could usefully be taken into account by contracting parties wishing to submit proposals. While there was general agreement that detailed examination of any proposals submitted by contracting parties should be taken in hand early in 1965, the Working Party could not agree as to whether this examination should be entrusted to an ad hoc committee, as proposed by some members, or by the proposed Committee on Trade and Development. The Council might wish to make a suitable recommendation on this point to the CONTRACTING PARTIES.

Some representatives recalled that the Ministers at their meeting in May 1963 had suggested that the CONTRACTING PARTIES promptly study the accordance of preferential treatment to semi-manufactured and manufactured goods exported by the less-developed countries. It was, therefore, disappointing to see the lack of progress on this important matter. The emergence of free-trade areas and customs unions had already eroded the most-favoured-nation principle by enabling developed countries to grant preferential treatment among themselves and to certain associated countries. It was natural that the Agreement should be amended so that the question of preferences could be dealt with on a multi-lateral basis. One representative proposed that the CONTRACTING PARTIES consider

the insertion of an enabling clause in the General Agreement which would, without prejudice to the rights of contracting parties under Article I, permit the granting of preferences between less-developed countries on terms to be agreed on by the CONTRACTING PARTIES. He added that as there had been no opposition to the principle of preferential treatment among less-developed countries this proposal should not cause much difficulty. It was further suggested that should agreement be reached on the insertion of a provision on preferences in the General Agreement, consideration should be given to whether such a provision should be inserted in the new Chapter or whether Article I should be amended. The hope was expressed that in any subsequent discussions all previous discussions and the work already done, including the deliberations of the United Nations Conference on Trade and Development, would not be overlooked.

The representative of the United States suggested that paragraph 17 of the Working Party's report should also have contained a reference to paragraph 15 in addition to those regarding paragraphs 13 and 14. Paragraph 17 as now worded provided rather unbalanced terms of reference for contracting parties who might be submitting proposals. With regard to the proposal envisaging the drafting of an enabling clause authorizing preferential treatment among less-developed countries on terms to be agreed, this proposal was such that these "terms" were to be left to some time in the future. A decision to depart from the existing provisions of the Agreement was too important to be left to a supplementary decision later on. The complexities of the problem would make it impossible to reach agreement by the time the special session commenced and the adoption of the Chapter on Trade and Development would be hampered if the inclusion of the provision on preferences were insisted upon. The United States Government considered that the question of preferences merited further study, but could not accept a Chapter on Trade and Development with the inclusion of an enabling clause for the granting of preferences.

One representative recalled that, as it had not so far been possible to obtain agreement on the insertion of an enabling clause in the GATT, an informal suggestion had been made that detailed work in this field could be carried further on the basis of a working hypothesis that provision for preferences could be made in the GATT. One representative stated that it would not be possible for his government to act upon the suggestion in paragraph 17 because it could not put forward proposals except on the basis of some working hypothesis. A number of representatives expressed disappointment that an approach based on a working hypothesis could not find acceptance. In this connexion it was pointed out that in the Working Party several delegations had found difficulty in accepting this approach, as well as the proposal for an enabling clause, because they appeared to prejudge what might be the eventual answer which would result from more detailed studies. It was for this reason that after considerable debate the Working Party had drafted paragraph 17 in the way it now appeared in document L/2282.

The Council formulated its conclusions as follows:

The Council noted that a number of delegations had suggested that the draft Chapter on Trade and Development should contain an enabling clause permitting the establishment of preferences. A number of other delegations, however, believed

that it would not be possible to reach agreement on the Draft Chapter if such a provision were inserted and that there was a general desire to reach agreement on the Chapter before the special session. The Council has been unable to resolve these differences.

The Council proposes that further discussion concerning the establishment of preferences should be held so that it may be possible to make a submission to the CONTRACTING PARTIES at a later date, and accordingly the Council recommends:

- (a) that the CONTRACTING PARTIES invite contracting parties, wishing to do so, to submit proposals concerning the granting of preferences on selected products by industrialized countries to less-developed countries as a whole, and the granting of preferences on selected products by less-developed countries to all other less-developed countries.

The Council noted that contracting parties submitting proposals would do so on the basis of such assumptions as they consider appropriate. These proposals might take account of the points mentioned in paragraphs 13 and 14 of the report of the Working Party on Preferences. In this connexion, the Council understands that a number of contracting parties submitting proposals may wish to do so on the basis of the assumptions set out in paragraph 12 of the Working Party's report.

- (b) that the proposals made under paragraph (a) above be referred to the envisaged Committee on Trade and Development for examination, through such procedures as it considers suitable for the purpose, with a view to making an appropriate submission to the CONTRACTING PARTIES at their annual session. This Committee would take over the work of the Working Party on Preferences.

3. Arrangements for the special session of the CONTRACTING PARTIES (C/46)

A special session of the CONTRACTING PARTIES is to begin on 17 November 1964. The Governments of Jamaica, the United Arab Republic and Yugoslavia had proposed that contracting parties should be represented at this session at ministerial level. The communication received from these three Governments was distributed in document C/46.

The Council noted that a strong recommendation had been made by some contracting parties that the CONTRACTING PARTIES should endeavour to be represented at ministerial level during the forthcoming special session. The Council agreed, however, that in view of the difficulty in setting a firm date during the session for the presence of Ministers, it would be more desirable to invite Ministers to attend a brief meeting shortly thereafter to give their formal endorsement to the Chapter on Trade and Development and to pledge their support for its early ratification and effective application. The Council requested the Executive Secretary to set a date for such a meeting at an appropriate time in consultation with delegations.

4. The United Kingdom temporary charges on imports

The Council had before it a communication from the Government of the United Kingdom (L/2285) dated 27 October 1964, in which contracting parties were informed that, effective from that date, the Government of the United Kingdom, in order to safeguard the country's external financial position and to correct its balance of payments and as part of wider policies directed to the short term and longer term problems of the country's underlying economic situation, had decided to restrict promptly, but temporarily, the quantity of imports coming into the United Kingdom. To this end there had been imposed a 15 per cent ad valorem charge on imports, except those listed in the annex to the communication, from all sources.

The Chairman stated that it was his understanding that the United Kingdom Government was invoking the provisions of Article XII in order to establish that the United Kingdom was entitled to take measures to restrict the volume or value of imports in application of the criteria of Article XII but was not invoking the provisions of the Article in justification of the particular measures that had been adopted. The representative of the United Kingdom confirmed that this was in fact the case.

The United Kingdom representative pointed out that the balance-of-payments position of his country was serious and that it appeared likely that a deficit of £700 million or possibly even £800 million would occur in 1964. It was moreover unlikely that, in the absence of any remedial measures, the balance-of-payments position would improve significantly in 1965. Although the United Kingdom Government was in a position to draw upon considerable international support for sterling it considered that in the circumstances it had no alternative but to take prompt action to curb imports. It had therefore introduced the temporary charges on imports which it considered should effectively improve the situation. The United Kingdom Government had favoured the charges as a means of restricting imports since the alternative device, quantitative restrictions, was both administratively cumbersome and tended to freeze the pattern of trade. It was the view of his Government that quantitative restrictions would have been more detrimental to the interests of exporters to the United Kingdom market and would have introduced an unwelcome element of protection for the British manufacturer. On the choice of items appearing in the exceptions list, the representative of the United Kingdom stated that this had been based on the desirability of ensuring the stability of costs of raw materials and basic foodstuffs. It would have been self-defeating for the United Kingdom's efforts to increase exports, if her competitive position were to be eroded by such a rise in costs. In conclusion, the United Kingdom representative expressed the willingness of his Government to enter, as quickly as possible, into consultations on the matter with interested contracting parties.

A number of representatives expressed the views of their governments on the United Kingdom charges, in particular on their trade effects, their appropriateness and their method of application. In certain cases representatives emphasized that they were speaking without instructions from their governments and that their views were necessarily preliminary.

There was widespread sympathy for the problem confronting the United Kingdom Government as regards its balance of payments and understanding of the need for action to remedy the undesirable situation that had arisen. A number of representatives of Commonwealth countries stressed the interest of their governments in the maintenance of the strength of sterling. Approval was also expressed that the British Government had acted promptly in introducing measures to safeguard her balance of payments.

A number of representatives expressed the view that the charges in fact only touched upon the symptoms of the United Kingdom's basic economic problems and did not represent an attempt at overcoming the problems themselves. It was suggested in this connexion that domestic corrective measures, not applied directly to trade, would have been more appropriate in the circumstances. It was pointed out that certain other contracting parties which had recently been confronted with similar difficulties had adopted measures which did not directly affect the volume of imports.

Representatives recalled that the United Kingdom was a very important trading country and that for this reason the charges were particularly serious for world trade. A large number of representatives expressed anxiety and concern over the effects of the charges on their exports. Although representatives noted that it was not intended by the United Kingdom Government that the charges should act as a protective device, their protective effects could not be ignored particularly if they were to remain in force for any length of time. There was recognition of the fact that the charges introduced would be less harmful to world trade than quantitative restrictions.

Representatives of less-developed countries expressed their particular disquiet over the United Kingdom action. Commonwealth countries, falling into this group, pointed out that they presently enjoyed duty-free entry and margins of preference for a number of manufactured items, which were now liable to the charges, and that their exports of such commodities would be likely to suffer. It was stressed in this connexion that exports of many manufactures had only recently commenced and had been achieved with considerable difficulty. A number of less-developed countries drew particular attention to cotton textiles which they recalled were already subject to quantitative restriction under the long-term arrangement and were now having to bear the 15 per cent charge. Representatives of less-developed countries requested that the United Kingdom Government give consideration to the extension of the list of exceptions to cover items of specific interest to developing countries. It was pointed out that many developing countries were themselves faced with acute balance-of-payments problems and the measures taken by the United Kingdom, which in many cases was their most important market, could only serve to worsen their position and lead to dislocation of their developmental efforts. It was particularly regrettable that the United Kingdom had had to resort to a device which restricted entry for the exports of developing countries at a time when considerable efforts in the GATT and elsewhere were being made to improve access for the products of developing countries. Representatives,

stressed the desirability of removing or at least reducing the charges at the earliest possible date. It was pointed out that the longer the charges remained in effect the more difficult it would be for the United Kingdom Government to remove them. Representatives noted that the United Kingdom Government had given an assurance that the charges would be removed as soon as possible but they pointed out that this undertaking lacked precision and a number of representatives enquired whether it would not be possible to be more precise as to removal dates. Some representatives were of the view that the charges should be regarded as a stop-gap device pending the introduction of more appropriate measures.

Although representatives recognized that there was no direct connexion between the United Kingdom's resort to charges and the progress in the discussions for the "Kennedy Round", the view was expressed that, in the context of negotiations which required a considerable degree of international goodwill, the United Kingdom's action could have harmful effects. The United Kingdom representative stressed the determination of his Government to participate in the work of contracting parties to bring the "Kennedy Round" to fruition. Some members considered that the United Kingdom action might have the effect of weakening the General Agreement itself. One representative expressed the view that perhaps the agreement should be amended to provide for the type of action that had been taken by the United Kingdom.

Whilst recognizing that the United Kingdom charges were not discriminatory in any formal or legal sense, certain representatives drew attention to the fact that they could be regarded as de facto discriminatory to the extent that they affected the trade of some countries more than that of others. These representatives stressed that, in selecting items in respect of which the charges were to be reduced or removed, the United Kingdom Government should ensure equitable treatment for all contracting parties.

A number of representatives expressed their regret that the United Kingdom Government had been unable to provide prior warning of the steps it was intending to take. The United Kingdom was, it was pointed out, a member of a number of international organizations in which consultations on the matter could have been held and attempts made to find a solution. It was suggested that unforeseen action, such as that taken by the United Kingdom Government, could only serve to upset international confidence. It was, however, pointed out that Article XII, did provide for action prior to consultation in the case of balance-of-payments difficulties.

Certain representatives expressed concern that the charges were to apply to goods shipped under contracts concluded prior to 27 October. These representatives expressed the hope that the United Kingdom Government would be able to exempt such goods from the charges. Representatives observed that the United Kingdom communication made no mention of the export incentives introduced at the same time as the charges. In the absence of any detailed information as to the nature of these incentives it would be impossible to judge their compatibility with the General Agreement. These representatives wished however to reserve their position to revert to this matter at a later date when such information was available.

The representative of the United Kingdom undertook to convey to his Government the views expressed and the proposals made by representatives.

Representatives welcomed the willingness of the United Kingdom to enter into consultations on the charges and there was widespread support for the holding of consultations at an early date. Accordingly the Council adopted the following decision:

"The Council

"NOTING the communication by the United Kingdom Government that, in order to safeguard the external financial position of the United Kingdom and to correct its balance of payments, and as part of wider policies direct to the short term and longer-term problem of the country's underlying economic situation, the United Kingdom Government have decided that it is necessary to restrict promptly but temporarily, the quantity of imports into the United Kingdom, and that, in order to establish that restrictive measures are justified, they are invoking the provisions of Article XII of the General Agreement,

"Without prejudice to the legal issues involved,

"DECIDE that consultations be promptly initiated with the United Kingdom as to the nature of the balance-of-payments difficulties, the nature of the measures taken, alternative corrective measures which may be available and the possible effect of the measures taken on the economies of other contracting parties,

"that the consultations be carried out promptly and that a report should be submitted to the Council which shall meet as soon as possible to consider such action as may be appropriate in the light of the report.

"In this connexion, and in accordance with Article XV, the CONTRACTING PARTIES will consult with the International Monetary Fund."

On a point of clarification, raised by a representative, the Chairman stated that the consultations would relate only to the temporary import charges, but consideration of other matters would not be debarred to the extent that these matters were relevant to the main matter under discussion.

It was agreed that the following countries should participate in the consultations:

Australia	India
Brazil	Jamaica
Canada	Japan
Chile	Pakistan
European Economic Community	United Kingdom
Nigeria	United States
	Uruguay

It was further agreed that the Deputy Executive Secretary should act as Chairman.

The Chairman pointed out that the date of the consultations would be dependent upon consultations to be held in the International Monetary Fund. A communication from the Managing Director of the Fund indicated that the Fund would be ready to consult early in December. It was agreed, therefore, that the Executive Secretary should arrange for the GATT consultations to be held at a date to be fixed in consultation with the International Monetary Fund but not later than early in December.

5. Recourse to Article XXIII by Uruguay (L/2278 and L/2074)

In July 1955, the Council had agreed that the Panel on the recourse to Article XXIII by Uruguay be reconvened (a) to pursue further the question of compliance with the CONTRACTING PARTIES' recommendations of 16 November 1962, (b) to examine certain newly applied trade barriers affecting Uruguayan exports and (c) to re-examine the question of compatibility of certain measures with the General Agreement. The Panel had met in September and October and its report had been circulated in L/2278.

In presenting the report, the Chairman of the Panel recalled the circumstances leading to the reconvening of the Panel and drew attention to the salient points contained in the report, notably the progress made in securing compliance with the CONTRACTING PARTIES' recommendations, the proper steps to be followed by Uruguay in regard to measures newly brought to the attention of the Panel, and the difficulties and possible ways of dealing with points of legal contention. The Panel's view and conclusions on these various points were set out in Sections A, B and C of the report, which was submitted for action by the Council.

The representative of Austria, referring to Section A of Annex I of the report, stated that his Government had liberalized, as from 1 October 1964, the sub-item mentioned in paragraph 3 thereof and that therefore Austria had complied fully with the recommendations of the CONTRACTING PARTIES. The representative of Belgium signified the agreement of his Government to the findings of the Panel, as set out in Section B of the report, and drew attention to the fact that de facto liberalization had been introduced in respect of certain items. The representative of France referred to Part C of Annex I and stated that the Group of Experts established to investigate the question of the countervailing duty of 3 per cent on Uruguayan combed wool (tops) had not in fact been able to meet on 9 October as planned, and was unlikely to meet before January 1965. However, rather than await the findings of this Group of Experts, the French Government had decided to remove the countervailing duty, and official notification of this would be made in the course of the next few days. The representative of Germany said that his Government had been able to make some progress in compliance with the recommendations of the CONTRACTING PARTIES, and that further liberalization would be introduced on 1 January 1965. The representative of Italy drew attention to the fact that by 1 November 1964, all the Italian restrictions covered by the recommendations of the CONTRACTING PARTIES would have been removed.

The representative of Uruguay said that he noted the statements concerning progress in the implementation of the CONTRACTING PARTIES' recommendations. He recalled that the Panel's report had made recommendations concerning further action to be undertaken by Uruguay and stated that his Government had already initiated certain of the actions proposed and would be commencing action in respect of other recommendations.

On the subject of the Common Agricultural Policy of the European Economic Community, the representative of the Commission of the EEC confirmed that bilateral discussions on any measures applied in implementation of the Policy should be undertaken with the Commission.

The Council took note of the Panel's latest report and also the earlier report dated 30 October 1963 (L/2074) and agreed to recommend their adoption by the CONTRACTING PARTIES. It also agreed to recommend to the CONTRACTING PARTIES the renewal of the procedures proposed in paragraph 8 of the Panel's report.

6. Provisional accession - requests for extension by Argentina, Switzerland and the United Arab Republic (L/2283, L/2279, L/2273, C/W/80)

The Declarations providing for the provisional accession of Argentina, Switzerland and the United Arab Republic would expire on 31 December 1964. Since the action required to bring about the accession of these countries under Article XXXIII would not have been completed by that date, they had requested an extension of the provisional accession arrangement. The requests by these governments were circulated in documents L/2283, L/2279 and L/2273, respectively.

The Council considered that these requests should be met and requested the Executive Secretary to prepare draft texts. The drafts proposed by the Executive Secretary to prolong the Declarations on Provisional Accession and to extend the invitations to participate in the work of the CONTRACTING PARTIES (C/W/80) were approved.

The Chairman stated that the three Procès-Verbaux would be opened for signature the following week. He urged members of the Council to arrange for the acceptance of these instruments by their governments before the end of the year if at all possible, so that there would be no interruption in the application of the basic Declarations; since it involved only an extension of existing commitments this should be possible. The three decisions enabling the three countries to participate in the work of the CONTRACTING PARTIES would be submitted to the CONTRACTING PARTIES for adoption at the special session.

7. Relations with Poland - Third Annual Review (L/227^b)

The Working Party on Relations with Poland had met in October to conduct the Third Annual Review under paragraphs A:4 and B:3 of the Declaration of 9 November 1959 on Relations between Contracting Parties and Poland. The report on this review had been circulated in L/2276.

The representative of Poland thanked the Chairman and members of the Working Party for the full and frank manner in which they had discussed, with his country, matters relating to Poland's relationship with contracting parties.

The Council took note of the Working Party's report and agreed to recommend its adoption by the CONTRACTING PARTIES.

8. Italian waiver - special customs treatment for imports from Libya - request for extension (L/2260)

Under a waiver dating from 1952, the Government of Italy has been allowed to grant duty-free entry for certain imports from Libya. This waiver had been extended on several occasions and under the most recent decision would expire at the end of 1964. In this connexion the Government of Italy had addressed a communication to the CONTRACTING PARTIES (L/2260). It was stated in this communication that the Libyan Government had addressed a formal request to the Government of Italy for the maintenance of the special customs régime. The Italian Government proposed an extension of the waiver.

The Chairman pointed out that the Decision of 16 November 1961, which provided for the extension of the waiver until the end of 1964, had provided that the situation be reviewed before the expiry of the waiver. Considering that it had been six years since this question had been examined in detail, it might be appropriate to establish a small working party to review the situation and to consider the request from the Government of Italy for an extension.

The Council agreed to establish a working party with the following composition and terms of reference:

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

Members: France United Kingdom
 Greece United States
 Italy

Other contracting parties wishing to be members of the working party were invited to notify the Executive Secretary.

Terms of reference

"To examine the request by the Government of Italy for a further extension of the waiver authorizing special customs treatment for imports from Libya and to submit a recommendation to the next meeting of the Council."

9. Reports under waivers

(a) France/Germany - Saar (L/2262)

The Governments of France and the Federal Republic of Germany submitted reports (L/2262) as required by the Decision of 22 November 1957. The reports recorded that the quotas provided for under the Decision were only partially utilized during 1963.

The Council took note of the reports.

(b) Turkish stamp duty (L/2263)

The Government of Turkey had submitted a report (L/2263) under the Decision of 20 July 1963 explaining why it had not yet been possible to remove the stamp duty authorized by that Decision.

The representative of Turkey said that the Turkish Government had found it necessary to retain the stamp duty until the difficulties, arising from the reorientation of the Turkish economy and fiscal legislation to the exigencies of the initial stage of the planned development, were largely overcome. The stamp duty had not had adverse effects on foreign trade and imports had continued to increase. The stamp duty although vitally important was nevertheless regarded by the Turkish Government as a temporary and emergency measure to be eliminated in due course.

The Council took note of the report.

(c) United Kingdom - Article I (L/2274)

(d) United Kingdom - Dependent overseas territories (L/2275)

The reports by the Government of the United Kingdom (L/2274 and L/2275) advised that these Decisions had not been invoked during 1963.

The Council took note of the reports.

10. Central American free-trade area

The Government of Nicaragua was required under various Decisions of the CONTRACTING PARTIES to provide annual reports on the progress achieved in the establishment of the free-trade area among the Central American countries and in the economic integration programme. At recent sessions of the CONTRACTING PARTIES the information provided by Nicaragua had been found not to be adequate to enable the CONTRACTING PARTIES to appreciate the developments in these matters and at the twenty-first session it was agreed that further information should be obtained and submitted to the Council. The statement by the secretariat summarising the various agreements and protocols and the information communicated by the Government of Nicaragua were distributed in documents L/2255 and L/2256 respectively.

The Council took note of the information submitted and invited the Government of Nicaragua to submit further information which would enable contracting parties to follow the manner in which the Decisions was being implemented. In addition the Executive Secretary was asked to request the Government of Nicaragua to submit the report, referred to in paragraph 3 of L/2256, on the rates of duty for which the "equalization" plan had resulted in an increase.

11. Budget, Finance and Administration - report by Committee (L/2269 and Add.1)

The Committee on Budget, Finance and Administration, which was appointed by the Council on 27 May 1964, held its meeting from 28 September to 1 October 1964. Its report was distributed in document L/2269. The proposed scale of contributions was set out in Addendum 1.

Mr. A. Schnobli (Switzerland), Chairman of the Committee, in presenting the report, drew particular attention to paragraph 7 of the report in which the Committee recommended that in all cases where governments were in arrears for two years, the Executive Secretary, on behalf of the CONTRACTING PARTIES, should inform such governments of the CONTRACTING PARTIES' concern that such a situation exists, and invite them to inform the CONTRACTING PARTIES, through him, of the steps they intend to take to fulfil their financial obligations; the Executive Secretary should communicate to the Council and/or the CONTRACTING PARTIES the replies received.

The Council agreed to recommend to the CONTRACTING PARTIES the adoption of the report, including the recommendations in paragraphs 7, 11, 14, 15, 17, 19, 20, and 26, as well as the annexed draft resolution on expenditure.

12. Programme of meetings (C/W/84)

In drawing attention of the Council to the secretariat notes on the programme of meetings, the Chairman pointed out that the Working Party on the United Kingdom temporary import charges would have to be added to the list of meetings. The Working Party on the Italy/Libya waiver should **meet in the near future**, but the date would have to be fixed in consultation with interested governments. The meeting of the Working Party on the EEC/African and Malagasy States would also be fixed later.

The Chairman also proposed that it would be appropriate for Committee II to meet to discuss new regulations of the Common Agricultural Policy of the European Economic Community. The representative of the Commission of the EEC suggested that it would be advantageous if the Committee were to consider, at the same time, changes in the agricultural policies of the United States and the United Kingdom. The representatives of the United States and the United Kingdom agreed to refer this suggestion to their respective Governments. It was agreed that Committee II should be convened by the Executive Secretary at a date convenient to interested delegations.

In conclusion, the Council decided that it would not be appropriate to determine, at that stage, a date for its next meeting.

Subject to the above points, the Council agreed to the programme of meetings set out in C/A/84.

