PARIS ECONOMIC MEETINGS

Report by Executive Secretary

I. REORGANIZATION OF THE OEEC

1. The CONTRACTING PARTIES will recall that following the debate on the Executive Secretary's report to the sixteenth session (L/1166) the Chairman of the CONTRACTING PARTIES, after consultation with Heads of Delegations, met with the Chairman of the Conference on the Reorganization of the OEEC on 24 May 1960. The record of this meeting is contained in document L/1219 which also reproduces a letter dated 27 May 1960 from Minister Krag, and the text of a resolution pertaining to the reconstitution of the OEEC adopted by the Paris Conference on 25 May 1960.

2. It will be noted that the Working Party established by this resolution was instructed inter alia "to consult as appropriate with relevant international organizations". Acting pursuant to this instruction the General Working Party invited the Executive Secretary to participate in its discussions relating to trade matters.

3. The Executive Secretary was accordingly present at a meeting of the Working Party on 8 June 1960, in the course of which the functions of the proposed new organization in the trade field were discussed. Representatives of most of the twenty governments taking part in the conference participated in the discussion. Most representatives subscribed to the view that the new organization should continue to have functions in regard to trade similar to those hitherto performed by the OEEC. They were therefore in favour of the retention of the OEEC trade rules (including the Code of Liberalization), maintenance of the existing organs of the OEEC for dealing with trade questions, the establishment of additional machinery in the form of a permanent trade committee, and the inclusion of trade expansion amongst the principal declared objectives of the organization. One participating country expressed doubts as to the relevance and applicability of the Code of Liberalization in present circumstances. They suggested, and it was agreed, that a detailed technical study be made of the Code in order to determine how much of it was relevant and appropriate in present conditions. Those who spoke in favour of the majority view were not concerned at the possibility of overlapping with the GATT. As the trade activities of the new organization would be based on the principle of non-discrimination there could be no fear of conflict with the GATT, and these activities could only contribute to furthering the objectives of the General Agreement. It was generally recognized, however, that it would be necessary to ensure close co-operation between the new organization and the GATT with regard to matters of commercial policy.
4. At the conclusion of the debate the Executive Secretary stated that he would inform the CONTRACTING PARTIES of the views expressed in this discussion. He felt it necessary to point out, however, that the serious concern which had been expressed by contracting parties, and communicated on their behalf by the Chairman of the CONTRACTING PARTIES to the Chairman of the Paris Conference, had been based upon the very much more limited proposals of the Group of Four Experts. He felt, therefore, that these concerns would undoubtedly be greater in the face of the proposals which were being developed in the Working Party. Commenting upon the discussion on specific points the Executive Secretary reminded the Working Party that the often-repeated assertion regarding the greater strictness of the OEEC trade rules as compared with those of the GATT could hardly be sustained, at any rate as regards the use of quantitative restrictions by countries not in balance-of-payments difficulties, (see Chairman's Report L/1219, third paragraph, page 2). Moreover, as regards export subsidies there would be no difficulty in bringing into immediate effect the ban on the use of subsidies on industrial products provided for in the revised text of Article XVI, if the countries represented at the Paris Conference were prepared to signify their agreement. As regards the administration of the GATT rules, he pointed out that proposals had been made at the last session for strengthening the GATT procedures for dealing with residual restrictions no longer justified on balance-of-payments grounds, and these proposals would afford to countries which had expressed themselves in favour of strict rules and strict application the means for achieving this objective in the GATT. In the same way the concern of those countries which saw in the OEEC procedures a safeguard against the re-introduction of restrictions in the event of less favourable economic conditions could perhaps be met by a strict observance of paragraph 4(a) of Article XII which, it would be noted, listed amongst the matters to be included in consultation "alternative corrective measures which may be available, and the possible effect of the restrictions on the economies of other contracting parties".

5. Finally, as regards the proposed trade committee designed inter alia to provide a forum for the discussion of trade disputes between member countries, the Executive Secretary wondered what type of question was in fact likely to arise in a body with the membership proposed, i.e. all the principal trading countries of Western Europe, plus the United States and Canada, plus a number of less-developed countries, which would not be of equal concern to other contracting parties to GATT not members of the proposed organization.

6. Subsequently the Deputy Executive Secretary took part in a detailed examination of the Code of Liberalization and other trade acts of the OEEC, which was carried out by a technical group established by the Working Party. The results of this examination are reflected in the recommendations of the Working Party which are described hereafter.

7. At the conclusion of its work the Working Party made the following principal Recommendations on trade matters to the Main Conference:
(A) **Trade Committee**

"The Working Party agreed that a trade committee should be established to carry out the following functions:

(a) confrontation of the general trade policies and practices of Member countries, having in mind the need for maintaining a system of multilateral trade which would enable Member countries to exchange goods and services freely with each other and with other countries under conditions of reasonable overall equilibrium in international balances of payments;

(b) examination of specific trade difficulties with respect to matters primarily of interest to Member countries and their overseas territories;

(c) consideration of any remaining short and long-term trade problems currently being dealt with by the Committee on Trade Problems established by the Ministerial Meeting of 13-14 January 1960;

(d) any other functions which may be recommended by the Preparatory Committee and subsequently decided upon."

(B) **Code of Liberalization**

"The Working Party agreed that, while the undertakings of the Code of Liberalization with regard to the liberalization of trade should not be continued in the new Organization, the procedures set forth in the Code, together with other Acts of the OECD in the field of trade, should be the subject of further examination in the Preparatory Committee."

(C) **The Trade Objective**

"There was general agreement in the Working Party that the reconstituted Organization, in conformity with its objectives, should promote the expansion of trade on a multilateral, non-discriminatory basis. The Working Party also agreed that the activities of the new Organization in the field of trade should be fully in accordance with the obligations of Member countries in international organizations and agreements dealing with trade and payments, should contribute to the attainment of their objectives and should not jeopardize their competence.

"A number of delegates emphasized that the trade functions of the OECD must necessarily be grounded upon a specific objective written into Article I of the Convention."

8. The Conference reconvened at Ministerial level on 22 July 1960. The Executive Secretary was not invited to attend or be represented at this meeting but has received the full report of its proceedings and the texts of the conclusions arrived at. Those decisions relating to trade matters are set out below:
(A) The Trade Objective

The view of those governments which favoured the inclusion of a specific objective relating to trade on the same footing as the other objectives of the proposed Organization prevailed, and Article 1 of the Draft Convention establishing the OECD therefore provides:

"The aims of the Organization for Economic Co-operation and Development (hereinafter called the "Organisation") shall be to promote policies designed:

(a) to achieve the highest sustainable economic growth and employment and a rising standard of living in Member countries, while maintaining financial stability and thus to contribute to the development of the world economy;

(b) to contribute to sound economic expansion in Member as well as non-member countries in the process of economic development; and

(c) to contribute to the expansion of world trade on a multilateral non-discriminatory basis in accordance with international obligations."

Article 2 then provides:

"In the pursuit of these aims, the Members agree that they will, both individually and collectively:

(a) ....

(b) ....

(c) ....

(d) pursue, in accordance with their international obligations, their efforts to reduce or abolish on a non-discriminatory basis quantitative restrictions and other obstacles to the exchange of goods and services and to maintain and extend freedom of payments and capital movements; and

(e) ...."

(B) The Trade Committee

A supplementary protocol (No.3) to the Draft Convention provides in the following terms for the establishment of a Trade Committee:

"THE SIGNATORIES of the Convention on the Organisation for Economic Co-operation and Development:

HAVING REGARD to paragraph (c) of Article 1 of that Convention:

HAVE AGREED as follows:
There shall be established within the Organisation for Economic Co-operation and Development a Trade Committee which shall carry out, in particular, the following functions:

(a) Confrontation of the general trade policies and practices at regular intervals or whenever requested by a Member; having in mind the need for maintaining a system of multilateral trade which would enable Members to exchange goods and services freely with each other and with other countries under conditions of reasonable overall equilibrium in international balance of payments.

(b) Examination of specific trade problems primarily of interest to Members and their overseas territories.

(c) Consideration of any short and long-term problems currently being considered by the Committee on Trade Problems established by the Ministerial Meeting of 13-14 January 1960, which remain outstanding.¹

This protocol was drawn up upon the basis of a Resolution of the Conference (dated 23 July 1960) which contains the following additional decisions:

"2. It is understood that the provisions relating to the Trade Committee provided for in the Draft Protocol set out in paragraph 1 above would enable any Member country to obtain prompt consideration and discussion by the Committee of trade measures by another Member which adversely affect its interests, with a view to removing or minimizing such adverse effects.

3. The undertakings of the Code of Liberalization with regard to Liberalization of Trade should not be continued in the OECD. All other Acts on Trade in the OECD shall be studied by the Preparatory Committee.

4. The Preparatory Committee shall be responsible for working out ways and means in accordance with which the Trade Committee shall exercise its functions."

II. COMMITTEE ON TRADE PROBLEMS

1. The Committee resumed its discussion on 28 June 1960. It had before it the report of the Chairman on the consultations held by him with responsible ministers of almost all members of the Committee, on the practical methods of pursuing its work. The Committee heard important statements made on

¹Note by Executive Secretary. This presumably means that when the new Organization is established the Trade Committee will succeed to the functions of the Committee on Trade Problems which was the subject of Part 2 of the Executive Secretary's report to the sixteenth session (L/1166) and is further referred to below.
behalf of the EEC and of the EFTA. The former advised the Committee that since the last meeting, the Council of the EEC had taken a number of decisions, some of which affected relations with non-EEC countries. Amongst these was a decision of the Community to take as its basis of calculation for the alignment on the common external tariff in the case of industrial products, the level of the common customs tariff reduced by 20 per cent, provided that this did not result in the duties applicable being reduced below the common external tariff. This was a provisional reduction, although it might prove possible to consolidate all or part of it. The Six had also declared their readiness to enter into discussions with interested countries with a view to obtaining reciprocal concessions, and to consolidate the concessions, in the GATT negotiations. The EEC Council had also adopted a Declaration of Intention to the effect that it was the intention of the Community to pursue a liberal trade policy in relation to third countries. In this spirit it was willing to enter into negotiations with all the countries represented on the Committee, and in particular with countries of the EFTA. Whilst respecting the rules of the GATT these negotiations should be directed towards maintaining and, if possible, expanding the traditional trade between the EEC and the EFTA.

2. A statement was made on behalf of the EFTA referring to the communiqué issued by the Council of Ministers after their meeting in Lisbon on 24 May 1960, welcoming this approach by the EEC.

3. The Committee also had before them a report by the Secretary on the progress made in the collection of data referred to in the Committee's Decision of 30 March 1960 (see Annex C to the Executive Secretary’s report to the sixteenth session, L/1166).

4. In the light of these statements the Committee adopted the Decision which is reproduced as Annex A to this report and is self-explanatory. The Study Group referred to in paragraph 4 of the Decision held a preliminary meeting in Paris on 7 July 1960 and adopted a programme of work (Annex B to this report). The next meeting of the Study Group will be held in Paris on 27 September, if the data required are collected in good time. It is also expected that the Study Group will meet in Geneva in the course of October.
ANNEX A

DECISION BY THE COMMITTEE ON TRADE PROBLEMS

Considering the Declaration of Intention on External Relations adopted on 12 May 1960 by the representatives of Member Governments of the European Economic Community,

Considering that the Community has declared its readiness, on the basis of the decisions taken at Brussels on 12 May 1960 and in accordance with the above Declaration of Intention, to hold negotiations with all member countries or groups of member countries of the Committee on Trade Problems and, in particular, with the member countries of the European Free Trade Association,

Considering that the European Economic Community has also declared that the proposed negotiations with the countries of the European Free Trade Association, in particular, should preferably be directed towards the maintenance of the traditional trade between the two groups, in accordance with the rules of the GATT and, if possible, towards the increase of such trade,

Considering that the Chairman of the Council of Ministers of the European Free Trade Association made known on 24 May 1960 that the governments of the EFTA countries were prepared to enter into negotiations, which should be conducted in a constructive spirit within the framework of the Committee on Trade Problems in order to solve the trade problems presented by the existence of the two groups,

Considering that it is in the common interest that full consideration should be given during the course of these negotiations to the interests of the other member countries of the Committee on Trade Problems within the terms of the resolution of 14 January 1960,

The Committee on Trade Problems

Decides

1. to examine the ways in which reciprocal tariff concessions could be achieved in accordance with the above-mentioned decision and declaration as well as the resolution of 14 January 1960;

2. to analyse the data collected by the Secretary of the Committee on Trade Problems, and any further data requested and submitted, with a view to:
   - defining those products of the various member countries in respect of which particular trade difficulties might arise and
   - seeking appropriate solutions in accordance with the rules of the GATT; and having full regard for the interests of the countries in process of economic development;
taking into consideration these results and those under paragraph 1, joint efforts will be made during the multilateral tariff conference which will shortly take place within the GATT in order to give it the greatest possible effect, to reduce the above-mentioned potential difficulties and to expand trade generally;

3. in order to achieve further progress, to continue to watch the development of currents of trade and to endeavour to find appropriate ways and means for the removal, in accordance with the rules of the GATT, of particular difficulties which might be encountered;

4. to establish a study group, open to all the participants in the work of the Committee on Trade Problems, to deal with the problems referred to in paragraphs 1 to 3 above. This group shall meet at its convenience in Geneva or Paris. It will organize its work having in mind negotiations within the framework of the Tariff Conference which is to be held in Geneva as from 1 September 1960. It shall be free to refer specific problems or groups of problems to ad hoc sub-groups. It shall submit progress reports to the Committee on Trade Problems, the first report to be submitted in time for the Committee to consider it at its next meeting;

5. to continue its discussions of the long-term aspects of the trade relations between the European Economic Community and the European Free Trade Association with full regard to the commercial interests of third countries and the principles and obligations of the GATT.
ANNEX B

WORKING PROGRAMME OF THE STUDY GROUP

1. The Member Governments of the EEC and the EFTA will supply before 10 September the following information relating to the products contained in the secretariat list and the supplementary lists submitted by the members of the Committee:

   (a) The level of duties applicable January 1961 to the members of the group and the other member countries of the Committee (so far as this information has not already been sent to the secretariat).

   (b) Statistics of total imports in 1959 and of imports from other countries who are members of the Committee in a form which will enable the secretariat to distinguish imports from each country or group of countries represented on the Committee as well as the percentage of total imports from OEC member countries who are not members of the group. The statistics should show the value of trade expressed in United States dollars.

2. Governments represented on the Committee will be entitled to make modifications by way of addition to or omission from the lists of products for which they have already requested tariff information from the secretariat. These modifications should reach the secretariat before the 29 July. It is understood that requests for additions will be limited to the strict minimum. On the basis of these requests, the secretariat will send Member Governments of the EEC and the EFTA a supplementary list; the governments concerned will make every effort to send the secretariat the information specified in paragraph 1 above in respect of such products before 10 September.

3. The statistics will relate to tariff items (if possible according to the Brussels Nomenclature); where the product represents a sub-item governments will endeavor to supply statistics relating to the product; if this is not possible governments will limit themselves to statistics relating to the whole item.

¹ The term "group" in the text means the EEC or the EFTA, as relevant.

² The Community will furnish, before 10 September, the figures relating to 1958 and supply the figures for 1959 as soon as they are available.
4. The secretariat will assemble the information provided and issue it in the most uniform manner possible.

5. The Study Group will meet in Paris on 27 September. In the event, however, of the information in the hands of the secretariat at the beginning of September being incomplete the Secretary will consult governments to see whether the date of 27 September should be kept.

6. Governments will be entitled to submit a supplementary list of products before 15 September; the secretariat will circulate a consolidated supplementary list and the Study Group will decide at its next meeting the arrangements to be made for collecting the necessary tariff information and statistics.