GENERAL AGREEMENT ON TARIFFS AND TRADE

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Intersessional Committee

SUMMARY RECORD OF THE MEETING

Held at the Palais des Nations, Geneva,
24-27 April 1957

Chairman: Sir Claude COREA (Ceylon)

Subjects discussed[1]:
1. Representation
2. Adoption of Agenda
3. Plans for a European Customs Union and Free-Trade Area
   (a) European Economic Community
   (b) Free-Trade Area

1. Representation

The CHAIRMAN remarked that a larger number of the contracting parties non-members of the Committee were represented at the meeting by observers than at any other meeting of the Committee. He informed the Committee that the Governments of Czechoslovakia, Dominican Republic, Japan, New Zealand and South Africa had indicated that they wished to be co-opted as members of the Committee for the meeting and pointed out that it was provided in the intersessional procedures that when the Committee dealt with matters requiring intersessional action it would co-opt as full members any contracting parties claiming an interest and which wished to be represented. The Chairman enquired if any other governments wished to be co-opted to the Committee. Requests were made by the representatives of the Governments of Austria, Ceylon, Cuba, Luxemburg and the Kingdom of the Netherlands. Accordingly, these ten contracting parties were co-opted as full members of the Committee.

The Chairman then informed the Committee that the Governments of Portugal, Switzerland and Yugoslavia had sent observers to the meeting under Rules 8 and 9 of the Procedures of the CONTRACTING PARTIES.

At the request of the United Kingdom representative the Committee agreed to admit as an observer to the meeting the Government of the new independent State of Ghana to whose territory the General Agreement was previously being applied by the United Kingdom.

[1] The Summary Record of the discussions on the other items on the agenda for the meeting on 24-27 April will be issued in IC/SR.31.

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2. Adoption of the Agenda

The CHAIRMAN introduced the Agenda as distributed in IC/W/61 for approval.

The Agenda was adopted.

3. Plans for a European Customs Union and Free-Trade Area

(a) European Economic Community

(b) Free-Trade Area

The CHAIRMAN said that the principal subject on the agenda was the procedure to be followed with respect to the consideration by the CONTRACTING PARTIES under Article XXIV of the Treaty establishing a common market of six European countries. He thought it useful to recapitulate the steps which led up to the meeting. In the course of the discussion of the common market at the Eleventh Session an assurance had been given "on behalf of the six European countries at present engaged in developing a plan for the common market that they were prepared to submit for consideration by the CONTRACTING PARTIES in accordance with paragraph 7(a) of Article XXIV any treaty concluded after its signature and before its ratification." The CONTRACTING PARTIES had instructed the Intersessional Committee to follow developments in this field. In a circular letter to contracting parties of 17 December 1956, the Executive Secretary had referred to the expectation that the treaty would be signed in January and had suggested that a special session should be envisaged early in March. That letter had been followed by GATT/AIR/106 of 20 February proposing that since the signature in January had not taken place and was expected only for mid-March a special session be convened on 23 April and a preparatory meeting of the Intersessional Committee in mid-March. Following the despatch of that airgram a number of contracting parties had approached the Executive Secretary on the question who had then conducted a very extensive series of consultations with a large number of contracting parties. In the meantime there had been a further postponement of the signature of the treaty which in fact took place on 25 March.

In view of the new delay it had not been possible to maintain the original suggestion as to the timing of a special session. Moreover, the Executive Secretary's consultations had disclosed that there was no general agreement amongst the contracting parties as to the procedure to be followed. As set out in GATT/AIR/109, the Executive Secretary and himself had, therefore, decided to convene a meeting of the Intersessional Committee for the express purpose of considering the procedures to be followed for the consideration of the common market Treaty by the CONTRACTING PARTIES. That was therefore the principal issue on the agenda. However, in the course of the consultations undertaken by the Executive Secretary, some contracting parties had indicated that if a special session was not held at the time originally envisaged, they hoped that it would be possible to have some preliminary discussion of the issue likely to be presented to the contracting parties by the common market proposal. To the CHAIRMAN this appeared to be a reasonable request and, indeed, an essential preliminary in order to coming a wise decision on the important question of procedure but it was clearly premature to attempt to go into the proposal in detail. This meeting would give contracting parties an opportunity to indicate the problems which they considered were likely to arise when the definitive discussion of the treaty by the CONTRACTING PARTIES would take place.

Mr. KAWASAKI (Japan) appreciated very highly the efforts of the six governments of the European Community to achieve economic integration which would contribute to the prosperity of Europe and the furtherance of world trade. He recalled, that at the Eleventh Session the six contracting parties had given assurances that they would submit the Treaty for consideration by the CONTRACTING PARTIES after its signature and before its ratification. Repeated delays in the signature were no valid reason for further postponement of a full discussion of the scheme. His delegation entertained apprehensions with regard to certain aspects of the Treaty and wished that the safeguards provided in the General Agreement would operate and prevent the CONTRACTING PARTIES from being faced by a fait accompli. The Japanese Government would insist that the procedure agreed upon at the Eleventh Session be followed and that a special session be convened as early as possible and in any case before ratification. At this meeting an opportunity ought to be given to express preliminary views on the Treaty so that various points could be clarified.

The CHAIRMAN then welcomed Baron Snoy et d'Oppuers, Chairman of the Interim Committee for the Common Market and Euratom, and remarked that the Committee was privileged to have with it one of the principal architects of the Treaty on the European Economic Community.

Baron SNOY (CHAIRMAN of the Interim Committee for the Common Market and Euratom), stated that while fulfilling the commitment to submit the Treaty instituting the European Economic Community to the CONTRACTING PARTIES after its signature and before its ratification, the Governments of the member countries were fully aware that this Instrument containing 248 articles and numerous annexes might raise some difficulties because it was not accompanied by any comments or explanations. The six member Governments therefore intended to distribute a memorandum setting out some of the more important aspects of the Treaty, particularly in relation to the provisions of the General Agreement. A frequent mistake committeed more particularly by the press, was to focus attention only on some points instead of analysing the Treaty as a whole. It had to be considered as a new step towards European integration following the establishment of the OEEC, the Benelux and the ECSC. The Community would represent further progress towards this final objective and accelerate the growth of the European economy and thereby also the expansion of international trade. Various studies had brought out that the production and the international trade of certain countries which possess large markets increase more rapidly than those of smaller countries. The growth of the common market would be such as to contribute to increase international trade so that no fear nor apprehension concerning the development of trade with third countries need be entertained. The Treaty was therefore in line with the objectives of the General Agreement.

The Treaty aimed at the formation of a common market by the establishment of a customs union which involved the abolition of all barriers to trade, customs duties as well as quantitative restrictions, which hampered trade between the constituent countries. The scheme further provided for the setting up of a common external tariff and the adoption of a single commercial policy vis-à-vis the rest of the world. At the same time, the basic economic policies of the member countries would be harmonized in order to prevent

competition from being distorted. Indeed, experience gained in the formation of the Benelux had shown the necessity to co-ordinate social, fiscal and wage policies. These fundamental modifications which economic unification required could not take place without transition. The completion of the common market was possible only after a transitional period of twelve years that could be extended to fifteen years and was composed of successive stages.

As it could be foreseen that crises would occur, escape clauses had been included in the Treaty which, however, did not provide for any automatic solution of these difficulties. The numerous unforeseen problems which might arise would have to be remedied according to the circumstances. It was also difficult to determine at present what the commercial policy of the Community would be, how the escape clauses would function, etc. During the discussions preceding the signature of the treaty, it had been found that certain problems likely to cause heated argument at that time might not actually materialize and that, on the other hand, unforeseen difficulties might arise later. Those considerations helped to explain the evolutive and flexible features of the Treaty. The drafters had therefore thought that a strong executive, the Council of Ministers, taking decisions by a majority vote should be instructed to find solutions to problems as they arose and to determine the foreign policy of the community. That insitution would be assisted by a Commission which would produce the reports and studies which the Council might deem desirable. The policy of the Council would be inspired by circumstances and dictated by preoccupations of general interest and by the exigencies of international trade.

After having outlined these general features the Chairman of the Interim Committee referred to some more particular points. The Treaty aimed at establishing free movement of goods, services, capital and manpower and contained as a corrolary the necessary complementary provisions to ensure the formation of a complete economic union. These complementary measures included in particular the institution of an Investment Bank that would finance the development of the less developed regions and the creation of a Social Fund to facilitate the re-conversion of manpower that would be displaced and made available by the working of the common market. Without excepting agriculture from the rules for the abolition of quotas and tariffs the Treaty contained provisions permitting for certain products in this sector of the economy the formation of an organized rather than a liberal common market. The Chairman of the Interim Committee then referred to the particular problem of the association of overseas countries and territories. Some Member Governments had deemed that they would not be in a position to participate in the Community if the countries and overseas territories with which they maintained special relations were not associated. They considered that they could not disregard the responsibilities which they had undertaken towards these regions and prevent them from sharing the prosperity which would result from the institution of the Common Market. The solution of this delicate problem comprised three basic principles and was entirely conceived to serve the interests of these overseas regions. The Applicatory Convention establishing the methods and the procedure of association was valid for five years and could be renewed in the light of the results achieved and on the basis of the principles embodied

in the present Treaty. The six Member States would grant to the products of those regions the same treatment as that applicable between them and as a counterpart those countries and territories would suppress all discrimination vis-à-vis the Member States while remaining free, however, to take commercial and customs policy measures which met the needs of their economic development. The Convention furthermore provided for the setting up of a Development Fund to finance basic investments in these regions.

In conclusion, Baron Snoy stated that the European Community would fundamentally modify the economic and industrial structure of the constituent countries. The Treaty was sufficiently flexible not to conflict with other international Instruments to which the Six were also contracting parties, such as for example the General Agreement. Furthermore, the Treaty had no autarkic features. It was open, contained provisions to enable countries that were ready to accept its rules and obligations to accede and provided formulas for association. Accordingly, it was to be hoped that negotiations concerning the establishment of a free-trade area would be successful and enable other European countries to contribute to the formation of a wide market. The CONTRACTING PARTIES must keep in mind that the great flexibility of the Treaty would facilitate any negotiation with outside countries. Baron Snoy was convinced that such negotiations which might inter alia take place in GATT would be conducted with the desire to contribute to the development of world trade.

The CHAIRMAN thanked Baron Snoy for his clear and interesting statement and said that it would facilitate the work of the Committee.

The CHAIRMAN recalled that the CONTRACTING PARTIES had instructed the Intersessional Committee to follow the evolution of the proposed negotiations for a free-trade area associating the other members of the OEEC with the common market. The Deputy Secretary General of the OEEC would make a statement on the present position of the negotiations on the free-trade area.

Mr. CAHAN (Deputy Secretary General of the OEEC) informed the Committee that negotiations for a European Free-Trade Area were at present being undertaken in Paris. Consequently, it would be difficult to give any detailed statement of the plans at this stage without describing the position which had been taken by various countries. He requested that he be excused by the Committee, therefore, if he had to be deliberately vague on some points. He referred to the statement he made to the CONTRACTING PARTIES at their Eleventh Session when he had stated that a special Working Party was studying the feasibility of possible forms and methods of association between the proposed customs union and member countries of the OEEC not taking part. This work had been completed on 5 February 1957 and the report had been circulated to contracting parties (L/617). The two principal conclusions of this report were that it was possible to set up a free-trade area which would include the customs union of the Six and other member countries of the OEEC and that several of the more important problems of the free-trade area would have to be solved on lines similar to those adopted in the customs union. The Council of Ministers of the OEEC had met in Paris on 13 February 1957 and had decided that negotiations for a European Free-Trade Area should be undertaken. For

this purpose the Council had set up three Working Parties. The first of these Working Parties was charged with examining the general problems connected with the establishment of the free-trade area; the second was to be concerned with special problems relating to agriculture, while the third was to examine the position of certain members whose economies were less developed in relation to the others. These negotiations began in March and were proceeding satisfactorily; most members appeared anxious to arrive at some solution for the creation of a free-trade area.

Mr. Cahan then went on to outline the nature of some of the problems which had arisen in the negotiations. The first of these related to trade problems or the arrangements necessary for the removal of tariffs or other barrier barriers to trade as between the members of the free-trade area. In this case it was generally hoped to establish a system similar, if not identical, to that adopted by the Six. This was desirable in the first instance to avoid discrimination between the Six and the other members of the OEEC, and secondly in the hope of giving satisfaction to the contracting parties in that the same method would apply for both systems. This objective of drawing up plans in accordance with the GATT was a fundamental principle guiding the discussions. In the tariff field there was one problem concerning the customs union which did not arise with respect to the free-trade area and that was the question of a common external tariff and a common external policy. On the other hand, however, the intention not to establish a common external tariff led to problems peculiar to the free-trade area with respect to definition of origin. In the customs union, which had a common external tariff, goods imported into any country of the Union would be subject to the same tariff liability. In the free-trade area, however, goods imported from countries outside the area might be subjected to lower duties when imported into some countries of the area than into others, yet, once imported into any member country they could move freely within the free-trade area. It would be necessary, therefore, to have a firm definition of origin for the free-trade area. The Six had not specifically addressed themselves to this problem although it could arise in the transitional period for the customs union when some external tariffs were lower than others.

Mr. Cahan stressed that the purpose of the free-trade area was to find a means of associating the largest possible number of OEEC countries with the European Economic Community established by the Treaty signed at Rome. This would prove most difficult with respect to agriculture since the Treaty set up a "managed" common market for agricultural products. The negotiations for the free-trade area, therefore, would have to take into account what could be done to avoid discrimination as between members of the free-trade area and the customs union with respect to agricultural products. This particular question was one of the most important being discussed at Paris, and as he had stated, it was being considered by a Working Party specially set up for that purpose. Another problem was the position of those member countries of the OEEC whose economies were less advanced than others. Obviously such countries could not accept the obligation to remove protective tariffs at the same rhythm as industrialized or more advanced countries. This also was the subject of consideration by a special Working Party in Paris.

In addition to these specific problems there were a number of general economic problems that arose from the fact that the Six have set out to establish a European Economic Community which went far beyond the mere removal of tariff barriers. Since it was not the intention of the other OEEC countries to proceed as far as that at this stage, the problem has arisen as to how far the free-trade area members must go in establishing rules covering these general economic problems. The Treaty, for example provides for the free movement of capital and of individuals and rules for social charges and benefits, unfair competition and the like; the question of whether such provisions would in fact be necessary within the framework of a free-trade area, either immediately, or at a later stage, or the extent to which they should be adopted, was now being discussed in Paris.

Mr. Cahan stated that while the Six had had to start practically from the beginning, the OEEC itself had been concerned with these and related problems for many years and had developed a number of institutions for dealing with them. Since the working of both the European Community and the free-trade area would clearly depend on the efficacy of the institutions set up to administer them and on a close coordination between these institutions, the OEEC was confronted with the problems of determining how far its present institutions could be adapted to meet these ends and what new institutions would need to be created.

In conclusion he stated that although the negotiations in Paris were not yet far advanced, he had endeavoured to draw attention to some of the problems that were receiving attention. However, he did not want to give an impression that there were wide divergencies of view within the OEEC between the Six and the other members. He expected that a report would be forthcoming some time during the summer and he expressed the hope than when this report was available it would indicate that substantial progress had been made and that that progress was not particularly undesirable from the point of view of the CONTRACTING PARTIES.

The CHAIRMAN thanked Mr. Cahan for his statement and said that the Committee was grateful to be informed on the problems and complications which arose with respect to the free-trade area.

Mr. CORSE (United States) said that the Treaty creating the European Economic Community was one of the most important subjects ever to be considered by the CONTRACTING PARTIES. The creation of a large continental market in Europe, characterized by a high degree of competion and mobility of resources, could contribute to the dynamic growth, prosperity and long-term economic health of Europe. Such progress would permit that major trading area to play an increasingly active role in the elimination of trade barriers and the continuing movement towards world-wide multilateral trade and convertibility of currencies. It was those considerations which in part had motivated the support which the United States had given to the movement for the economic integration of Western Europe. His delegation believed that that movement was consistent with the objectives of the General Agreement and the expansion of multilateral world trade and was convinced that in order to achieve its own objectives, the proposed common market must pursue that same goal since Western Europe, one of the world great trading areas, had a major stake in the preservation and improvement of the world-wide trading system.

The CONTRACTING PARTIES recognized the contribution which a genuine customs union would make to world trade and that economic progress justified a derogation from Article I of the General Agreement. At the same time there were certain established tests in Article XXIV by which to judge if a particular set of arrangements were in fact likely to produce a genuine customs union. One of our major purposes in considering the common market Treaty would be to judge if the proposed arrangements met these tests. In considering the relationship of the Treaty to the GATT, however, it was important to avoid a narrow or legalistic approach which, in the view of his delegation would serve neither the particular interests of the Six and of the other contracting parties on the one hand, nor the common interest in the healthy functioning of the General Agreement on the other. While the GATT review would be directly concerned with a decision on certain trade provisions of the Treaty, it would be helpful to bear in mind that the Treaty involved a system which went far beyond a simple customs union, a system which provided for a far-reaching merger of economic interests and policy in a new entity - an economic community. The Six were thus undertaking among themselves a complex series of interrelated obligations in the interest of greater economic progress and well-being. Furthermore, the proposed union was unprecedented in its size and importance, with the result that the potential repercussions for all the contracting parties were especially great. In the process of review of the Treaty by the CONTRACTING PARTIES it would be reasonable to consider its probable effect on the trade of contracting parties in concrete and practical terms. We should seek in that way to assure ourselves that the new community would function in conformity with the General Agreement, with scope where necessary for an adjustment of interests to the benefit of the CONTRACTING PARTIES.

The Treaty under consideration was a formidable document, and his delegation had so far been able to give it only preliminary study. From that study, it was believed that the Treaty, in its broad lines, was in conformity with the spirit and purposes of the General Agreement. It provided for the elimination of all tariffs, quantitative restrictions and analogous barriers within a defined period; it provided a "plan and schedule" for such elimination; it covered "substantially all" trade among the member countries. In those respects, it appeared to meet the major tests in Article XXIV of the General Agreement. There were, however, certain areas which, on the basis of preliminary study, gave some cause for concern. A few of these arose directly from the text of the Treaty itself. More of them derived from provisions whose meaning was not fully clear. In any case, a great deal would undoubtedly depend on the spirit and manner in which the Treaty was administered. He did not wish to go into great detail on those points now, but wished to mention a few of those to which his delegation had given some attention. One problem of major concern to all contracting parties would be the level of the common external tariff. A judgment as to its conformity with the standards of Article XXIV would have to await a study of the rates of this tariff when it had been completed and laid before the CONTRACTING PARTIES; his delegation thought that this would have to be well in advance of the end of the first stage of the transitional period when the first changes in external tariffs were scheduled to take place. It was difficult to see how the CONTRACTING PARTIES could endorse any mathematical formula in that connexion; a proper judgment should depend on an item-by-item evaluation of the impact of the new

common tariff. Because of the time this would require, as well as the need for negotiations concerning bound rates under paragraph 6 of Article XXIV it was hoped that the members of the proposed community would make available a suggested common tariff as soon as possible.

The provisions of the Treaty relating to agriculture were of particular interest to his Government. The provision for the development of a common agricultural policy could over the longer term promote the development of sound agriculture in the area. What was done under this heading would clearly have an important effect on the fulfillment of the objectives of the Treaty as well as on the trade interests of many contracting parties. His delegation, however, was concerned about a transitional system of long-term agreements and minimum prices. Such a system could set an unfortunate pattern for future trade in agricultural goods; it was essential that it be administered with due regard for the interests of third countries; otherwise it could do serious damage to the trading interests of other contracting parties. The provisions in the common market Treaty on this subject and the provisions concerning quantitative restrictions maintained for balance-of-payments reasons raised a number of questions in this connexion on which clarification would be required.

The implications of the provisions of the Treaty concerning overseas territories were among the most difficult to determine. While his delegation was sympathetic with the general purposes of the Six countries in respect to contributing to the development of these areas, the specific provisions concerning trade raised questions in relation to the impact on the trade of many contracting parties.

This was not an exhaustive list of the concerns his delegation had with particular provisions of the Treaty. All those questions would have to be considered at the general review by the CONTRACTING PARTIES. In that connexion the recognition by the member states that their obligations under pre-existing international conventions were not affected by the Treaty was noted with interest and appreciation. The procedures for further consideration of the common market should be such as to safeguard the interests of both non-members and members of the proposed community and should provide an opportunity for the CONTRACTING PARTIES to become thoroughly informed on all aspects of the problem in order that they might be dealt with constructively.

Mr. PHILLIPS (Australia) recalled that at the Eleventh Session the Australian delegation had expressed its appreciation of the opportunity presented to the CONTRACTING PARTIES of formally considering the progress which was being made toward the development of a European Common Market. The Australian delegation had at that stage referred to it as a two-way educational process and had visualized the need for GATT to be closely in touch with the proposals as they developed. An initial examination of the Treaty establishing the European Economic Community confirmed that earlier attitude. In the short time which his Government had had to study the Treaty it had not been able to assess its full significance either for Europe or for Australian trade with Europe. The Australian Government had expected to discover that the Treaty would be firmer in its clauses than had been indicated by Baron Snoy, and it was for that reason that the Australian Government in a note delivered

to the member countries in February had expressed the view that an early special session of GATT should be held to consider the subject before commitments were taken regarding the final form of the arrangements.

His delegation carefully noted Baron Snoy's remarks that the Treaty had many flexible provisions which should permit the mutual interests of the member and non-member countries to be accommodated and felt that at a later stage the CONTRACTING PARTIES would require more definite proposals on the method of implementation. The Committee had been informed that the CONTRACTING PARTIES would be provided with a memorandum explaining the Treaty in some detail. No doubt in addition the member countries would submit to GATT a specific plan covering the transitional stage leading to a customs union. It was the view of his delegation that such a plan was called for under Article XXIV of GATT but that did not emerge from the text of the Treaty. In this regard his delegation was particularly interested in an elaboration of the detailed provisions relating to agriculture. The flexibility associated with the treatment of agriculture in the Treaty, for example, and the length of the transitional period were such that other countries could be faced for the next ten to fifteen years with something approaching a new preference area. The length of the transitional period gave the special agricultural measures a high degree of permanence even if a less restrictive system could be looked forward to when the full customs union stage was reached. In the provisions governing the transitional period it would be expected that State-trading operations, subsidies, minimum price arrangements and long-term contracts would be managed in a manner consistent with the spirit and content of the General Agreement. Where quantitative restrictions were necessary for the operation of the institutions and provisions adopted during the transitional period the Australian delegation hoped that third countries would receive satisfactory assurances in so far as their own trade interests were concerned.

In the consideration of the Treaty the CONTRACTING PARTIES were not dealing with a small-scale or isolated customs union which required more technical adjustment with the General Agreement but a programme among major European countries which for a lengthy interim period would provide for a new and extensive preferential area and which was leading to a strong new trading and commercial block. It was the task of the CONTRACTING PARTIES to ensure that the regional interests represented by the European Common Market were harmonized in the wider trading community represented by GATT. Contracting parties were aware of Australia's concern about the increasing protection of agriculture throughout the world. At the Review Session the Australian delegation showed that it was not unsympathetic to the problems associated with dismantling European agricultural protection but at the same time insisted on the need for the earliest possible action in this direction. It could be that creation of the Customs Union, while it continued for a period the protection of agriculture, could ultimately produce benefits through the rationalization of agricultural production and distribution and the adoption of positive and economically sound programmes. His delegation, however, would be gravely concerned if the benefits accruing from the establishment of the common market were to be dissipated in devices designed to continue large-scale agricultural protectionism in Europe. If that should happen, at the end of the interim

period there would be a situation no better and possibly very much worse than at present, and the practical difficulties of achieving the GATT objectives of freeing world trade would be greater than at present. Mr. Phillips referred to the remark by Baron Snoy concerning the great increase in trade in recent years and said that in spite of that fact, the growth of economic activity in Europe had produced relatively little increase in the demand for imports from most overseas sources and virtually none for imports of agricultural products; and in the light of that fact, therefore contracting parties would understand the reasons for the concern with which his delegation approached consideration of the matter.

Mr. Phillips thought that at this meeting he could do no more than mention very briefly some of the provisions of the Treaty which in the view of his delegation would require clarification. There appeared to be some doubt as to the precise tariff rates which would apply in the common tariff on some commodities of interest to Australia. The Australian delegation would expect an early submission of the details of the common external tariff without any prior commitment on its part that a simple arithmetic average would comply with Article XXIV. Another example was the extent to which non-member countries would continue to enjoy their share of markets for items on which national quotas were at an early stage converted into global quotas for member countries. Whilst an examination of particular articles revealed points requiring clarification, it seemed from a brief study of the Treaty that of perhaps greater significance was the interaction of one article on others. For example it appeared implicit that quantitative restrictions and other non-tariff devices would be used to introduce and subsequently implement the common agricultural policy. It would appear to require a nice judgment on the part of the CONTRACTING PARTIES to determine whether such measures were not on the whole more restrictive than the measures applicable in the constituent countries prior to the adoption of the interim agreement. He thought that th point added weight to his earlier suggestion that a much more detailed plan on agriculture was a necessary prerequisite for consideration of the customs union under Article XXIV by the CONTRACTING PARTIES. Further points on which his delegation would appreciate clarification were the extent to which exporting countries which were not members of the common market might participate in the long-term contracts envisaged in Article 45; whilst the balance-of-payments provisions raised a number of questions about the effect on member states collectively when one of the member states was in balance-of-payments difficulties. Of major importance was the effect on bound tariff items of the creation of the common external tariff and the renegotiation procedures to be adopted. In addition it would appear that the arrangements for the association of overseas dependent territories with the customs union involved the creation of new preferences. Those provisions of the Treaty would require close scrutiny having regard to the reluctance of the CONTRACTING PARTIES in the past to approve the creation of new preferences.

It was important therefore, having regard to all of these considerations that there be ample opportunity for GATT to secure the information necessary for governments to give the most careful thought to the implications for them of the Treaty. To achieve that objective it seemed desirable to reach agreement on a procedure which would provide sufficient time for all concerned

to give adequate consideration to the issues involved. Baron Snoy had stated that a memorandum would be distributed as soon as his staff could produce it and the Australian delegation felt sure that such a memorandum would cover many of the points on which it would like clarification. However, such a document would take some time to produce and moreover it would be drafted by the Six without their having had the benefit of the precise thinking and perhaps fears of other contracting parties some of whom were not present at the Meeting and it was quite essential, of course, that all contracting parties should have a full opportunity to participate in the clarification process. While the Australian delegation had by no means abandoned the approach that it saw the need for an early Special Session of the GATT to examine the Treaty provisions, their compatibility with GATT and their implications in so far as the trade of third countries was concerned, in view of the general provisions of the Treaty it could see merit in continuing the two-way educational process commenced in November as a necessary prerequisite to the full consideration which the importance of the Treaty justified. Mr. Philips therefore proposed for the consideration of the Committee a procedure whereby contracting parties would be invited to submit questions designed to seek clarification or information about the Treaty and its implementation. These questions would be transmitted to the Interim Committee, which would be requested to supply answers, and there would then be a meeting of the Intersessional Committee to recommend in the light of the replies received, the procedures to be adopted by the CONTRACTING PARTIES in their consideration of the Treaty.

Mr. SWAMINATHAN (India) said that since governments had just received the text of the Rome Treaty there had not been sufficient time for an appropriate examination of its implications and any comments, therefore, must be very preliminary and, perhaps, even tentative. Contracting parties had two interests in regard to the proposals, one as parties to the General Agreement, and another as individual countries whose interests were likely to be affected. The General Agreement as it stood was the result of hard thinking and hard multilateral negotiations over several months by hard-headed practical administrators and their technical advisers. The substantive provisions and the procedures contained in the General Agreement could, therefore, be said to be essential for the protection of the trading interests of member countries in a basically multilateral system. We should look at the present question from that angle. The CONTRACTING PARTIES had a duty to examine the proposals in the light of the provisions of Article XXIV which provided a fairly rigorous procedure in regard to the institution of proposals, their consideration and their final adoption. Paragraph 7 of Article XXIV required the submission of information, and a study of proposals by the CONTRACTING PARTIES. For an appropriate examination of the customs union or free-trade area proposal individual contracting parties would have to consult a number of private commercial and trade associations at home which were likely to be affected, in addition to an examination of the proposals at a governmental level. The Messina countries had undertaken to submit the proposals for consideration under Article XXIV between signature and ratification. It seemed likely, however, that for various reasons, including reasons of parliamentary time-tables, the procedures for ratification of the Treaty would be accelerated in some, if not all, of the Six. In

that case, such action would have been taken before the CONTRACTING PARTIES had had reasonable time to study the Treaty and to make appropriate reports and recommendations. Such action taken by any or all of the Six must then be held to be without prejudice to the right of the CONTRACTING PARTIES to make appropriate reports and recommendations at a later stage. The Indian delegation wished that their reservation on this point be specifically recorded since it appeared to them that even after the very brief examination that they had been able to make the Treaty contained several features which were likely adversely to affect the interests of third countries and that some of those features at least were inconsistent with the provisions of the General Agreement.

One of the important features of the Treaty which caused his delegation some concern was the inclusion within the common market of the overseas territories of the signatories to the Treaty. The concept of a customs union involved the abolition of tariffs and other barriers to the trade between the constituent states and the adoption of a common tariff in relation to outside countries. The proposed association of overseas territories with the common market did not fulfil either of those conditions. The overseas territories would be free to maintain both protective and fiscal tariffs against the members of the Community and would also be under no obligation to adopt the common tariff of the Community. The terms proposed for the inclusion of the overseas territories were understandable from the economic point of view since they were, by and large, economically distinct from their metropolitan countries in that they were underdeveloped, however, the arrangement proposed had none of the characteristics of either a customs union or even a free-trade area. In addition it was not consistent with the most-favoured-nation principle which was fundamental to the General Agreement. By the association of the overseas territories with the common market, the trading interests of third countries were bound to be affected in varying degrees both within the metropolitan countries and within the overseas territories. Since this was the case, third countries would surely have a right to seek some guarantees and some redress under the provisions of the General Agreement. The Messina countries would surely not dispute that right when it was seen that in the overseas territories of the signatories each of the other five would get the same commercial treatment as the metropolitan country at least partly in return for free entry likely to be given for the products of such overseas territories by the Six. The Six were highly-industrialized and, in their larger economic interests, were taking the very bold step of progressively dismantling their tariffs inter se and had declared their readiness to face competition with each other on equal terms, hey certainly did not have the need for the aid of tariff preferences in the overseas territories. The economic situation of the Six was such that contracting parties could not be satisfied that the proposed preferences were so inescapable that they must agree to an enlargement of the area of preferences and of the scope of discrimination against third countries. The Indian delegation was, therefore, firmly opposed to the association of the overseas territories with the common market arrangements.

The provisions in the proposed Treaty in regard to the treatment of agricultural products also gave rise to some misgivings. Those provisions which permitted member states to fix minimum prices for agricultural products

and to enter into bilateral agreements with exporting countries were features which were not in accord with the spirit of the General Agreement. Those provisions in regard to purchases on the basis of long-term contracts in regard to certain sectors in the agricultural field must also cause anxiety to some contracting parties.

It was well known that India was in a process of development where its economic resources were being strained extremely heavily and because of requirements of capital and other goods was in balance-of-payments difficulties which were expected to continue over the next ten years or so. India's balance-of-payments difficulties had been most intense with the non-sterling OEEC countries and it was precisely such countries which were involved in the European Common Market arrangements. India was vitally interested in export trade and could not contemplate with equanimity the loss of any trading opportunities. The need for capital goods and industrial raw and semi-processed materials was constantly increasing and balance-of-payments difficulties would be further accentuated if, as a result of economic groupings, monopolistic tendencies and the cost of capital goods and industrial materials increased.

His Government, therefore, desired that the fullest and the most careful examination should be made of the proposals in the light of Article XXIV and of the general principles of the General Agreement both in regard to the customs union and in regard to the association of overseas territories. His instructions were to press for early discussions of the proposals by the CONTRACTING PARTIES and he urged that the process of examination should commence without delay. He reiterated that nothing done or intended to be done by any of the Six before examination, report, recommendation and negotiation where necessary by the CONTRACTING PARTIES should under any circumstances be deemed to prejudice any of the rights of contracting parties under the General Agreement. He supported the proposals by the Australian delegation with respect to the procedures to be followed in the examination of the Treaty by the CONTRACTING PARTIES and thought that this would afford an opportunity for the difficulties and doubts concerning the Treaty to be expressed in clear terms to the representatives of the Six.

Mr. CHRISTENSEN (Denmark) said that the Danish delegation had often stressed the necessity of reducing barriers to trade, quantitative restrictions and tariffs in order to obtain expansion of trade and a reasonable division of labour between the contracting parties and had strongly supported automatic rules instead of the old bilateral procedure as a basis for tariff negotiations. Taking into account the very limited success obtained in GATT with respect to an automatic and worldwide approach to the abolition of trade barriers, the countries responsible for the failure of that approach must understand the necessity of supplementing the work of GATT by other means. His delegation fully understood and supported the regional approach of the Six countries to that problem. The Nordic countries themselves had been working on the same regional line aimed at the establishment of a common Nordic market. All regional co-operation of this kind might create a risk of discrimination contrary to the spirit of the General Agreement. The Six, however, had clearly demonstrated their willingness to avoid that risk by accepting the idea of

the establishment of a free-trade area in association with the customs union and so long as this attitude was maintained they could count on strong Danish support for their efforts to create a common market. His delegation shared the hope expressed by the Six that the net result for other countries would be positive and held the view that a condition for reaching that goal would be for the free-trade area to be as wide as possible both as regards commodities and geographically.

There has been a certain fear in Denmark that the Rome Treaty would cause a discrimination against Danish exports in the agricultural field. Baron Snoy had mentioned that there would be a common market in the agricultural field, but not of quite the same liberal character as for other goods. Mr. Cahan called it a "managed" market. Only time would show if and to what extent the customs union of the Six in the agricultural sector would fulfill the conditions of Article XXIV and he feared that any calculations for the same expansion of trade in agricultural products as with industrial products would be disappointing. Since that meant that the benefits for countries outside the "managed" agricultural market of the Six would probably not be of the same importance it must be a minimum condition to ensure that discrimination in the agricultural sector would be avoided and that the co-operation of the Six did not result in a situation where certain other countries would be in a worse position than before. Even though his Government was prepared to go very far towards adopting the system of the Six in order to secure the realization of the free-trade area plan, it expected that a wide measure of flexibility in the plans of the Six would be needed if agricultural products were to be included in the free-trade area plan. Apart from the fact that the plan would hardly be in accordance with the General Agreement if agricultural products were not included, the exclusion of only one important sector of the economy would be unwise and in the long run unrealistic. Therefore the aim of his Government was a free-trade area, connected with the union of the Six and including all commodities. In order to avoid any discrimination a free-trade area covering as wide a geographic area as possible would be welcomed. If some countries were not prepared at the present time to undertake the considerable obligations involved in membership of the free-trade area, it did not mean that they would be excluded from any future co-operation; on the contrary such co-operation would be even more important in order to avoid undue discrimination. His Government would be willing whenever possible to take up again discussions on automatic tariff reductions on a worldwide basis.

His Government hoped that the overseas territories would be included in the free-trade area and he could not see any serious problem for the overseas territories of countries outside the union of the Six if the free-trade-area were to include all commodities.

With respect to the procedure to be followed by the CONTRACTING PARTIES his delegation held similar views to those expressed by the delegate of Japan. At the Eleventh Session the Six had taken a co-operative position and had declared themselves willing to submit the Treaty for the consideration of the CONTRACTING PARTIES immediately after signature. He recognized that some contracting parties were concerned about having a special session before the ratification of the Treaty but in that respect his delegation would put more

emphasis on any arguments the Six might have. On the other hand for practical reasons it was perhaps too late to discuss the question seriously. Even though his delegation still preferred a special session if it was at all feasible he thought it would be wrong to overestimate the importance of the date of that session. Baron Snoy had clearly stated that the detailed policy of the Six would have to be laid down by the institutions of the union. The CONTRACTING PARTIES would, therefore, first have to establish procedures to follow the policy of the Six as it developed and not to discuss and approve a factual policy. It might be dangerous for the prestige of GATT to create the impression that a GATT Session on the Rome Treaty, now or later in the year, would solve more than procedural questions.

Mr. NAUDE (Union of South Africa) said that his Government accepted the principle of integration and sympathized with any efforts of the European countries to set up a common market for it would bring benefit not only to the six countries but also to all the other contracting parties. His Government would try to be helpful and had no intention to oppose the plans of the Six. These plans were of essential importance to South Africa which in the previous year carried on approximately one-fifth of her foreign trade with the signatories of the Treaty. He regretted that the CONTRACTING PARTIES were being prevented from exercising their rights under Article XXIV to examine the Treaty before the initiation of the ratification procedure. At the Eleventh Session the CONTRACTING PARTIES had been reassured that they would receive a report on the deliberations and proceedings concerning the common market and would be given the opportunity for critically examining the Treaty and making recommendations. These were appropriate assurances which represented no concession on the part of the six governments, but were merely the execution of obligations undertaken under the General Agreement. In the light of these considerations his Government could hardly welcome the present course of events. Mr. Naude was aware that several contracting parties considered it preferable to defer the examination until after ratification: It could, however, be questioned whether the GATT would remain an efficient instrument if the enforcement of its rules were made contingent upon political exigencies and the existence of a favourable political climate in certain countries. The CONTRACTING PARTIES and, in particular, the six member states should bear in mind that the common market scheme and the procedures that would be adopted for its examination in GATT might serve as a precedent and model for similar proposals which might be brought before the CONTRACTING PARTIES in future. If the CONTRACTING PARTIES permitted the establishment of the common market without assuring themselves that it would facilitate and increase freedom of trade, the machinery for the promotion of multilateral trade might well fall into disrepute. Economic integration could contribute to the expansion of production and exchange of goods and the South African Government was, therefore, not in principle opposed to the establishment of a customs union. Article XXIV, however, provided for certain conditions to ensure that such schemes be creative of trade and, although it was admittedly difficult to determine beforehand whether these conditions were satisfied, the CONTRACTING PARTIES must carry out such an examination of the Treaty. For instance, with regard to the transitional period, it would have to be borne in mind that if it were too long the movement towards economic integration might lose momentum and the formation of a customs union might never be completed. If, on the other hand, the envisaged period were too short, certain modifications in economic structures might jeopardize the scheme.

The experience which some countries had gained from the European programme of trade liberalization which had been presented to them as an important step towards freer world trade was not of such a nature as to allay the apprehensions towards the new plans. The liberalization measures taken by OEEC countries until the end of 1955 had mainly benefited intra-European trade. In connexion with this programme of trade liberalization, a special compensatory import tax had been levied on freed items in order partially to offset the effects of the relaxation of import controls. The Treaty provided that this tax, which was also imposed on the products of countries which did not benefit from liberalization measures, could be maintained under the common market. The South African Government was concerned lest this discrimination be perpetuated and needed assurances in this respect.

Mr. Naude then commented on some particular points. A number of tariff concessions which had been negotiated with individual countries would inevitably be affected by the process of economic integration. The six countries had indeed already agreed to modify some bound duties as shown in Annex I (List F) of the Treaty. The renegotiation of duties required by the operation of the common market would be extremely complicated and might upset the balance of tariff concessions that had been elaborated in several rounds of tariff negotiations. The problems raised in regard to agriculture and quantitative restriction had been adequately dealt with by previous speakers. As for the association of overseas territories (Articles 131-136) the provisions of the Treaty seemed irreconcilable with the General Agreement and in particular with Article XXIV. Further, paragraph 4 of Article 132 appeared to imply that only nationals of the member states and of the overseas territories would be allowed to take part in development programmes undertaken in such territories. This provision, therefore, required clarification.

Mr. Naude stated that his Government would seek safety in Article 234 of the Treaty, which it deemed to mean that the provisions of the General Agreement would over-ride those of the Treaty so that where conflict arose the Treaty would be modified accordingly. In the course of the proceedings of the Committee the CONTRACTING PARTIES had been requested to trust that the governments would act in accordance with their commitments and had been assured that the Treaty provided enough flexibility for the necessary adjustments to be made. As this flexibility could be put to use for raising barriers to trade as well as for liberalizing trade, a full and open discussion of the Treaty was all the more necessary. The representative of South Africa concluded that the views he had given were only preliminary since his Government had been in possession of the Treaty only twenty-four hours before sending instruction. As the Treaty required and deserved close study his Government thought that the CONTRACTING PARTIES should not precipitate any final decision and arrange for a full and detailed consideration of the Treaty at the Twelfth Session. This procedure was all the more advisable as it was hoped that ministers would be present at that session and could take the policy decisions which might be required. South Africa would support the Australian proposal which would be acceptable with only a few minor modifications subject to the proviso that all the preparatory work for the study of the Treaty would lead to a full examination at the Twelfth Session where a final decision could be taken.

Mr. KOLLBERG (Sweden) said that his Government attached great importance to the discussions in GATT of the Treaty instituting the European Economic Community. The primary purpose of these deliberations should be to examine whether the Community would foster regional cooperation that could facilitate the elimination of obstacles to trade, and whether the new institution satisfied the requirements for customs unions in the General Agreement. As there had been time for only a preliminary study of the Treaty his Government could not give final views at this stage. Moreover some parts of the Treaty were difficult to interpret and explanatory comments from the six countries would be welcomed as promised by Baron Snoy especially with regard to the provisions on agriculture. He regretted that it had not been possible for the CONTRACTING PARTIES to follow the original plan to consider the Treaty in the GATT before the initiation of the ratification procedures. His Government, however, assumed that this postponement would not in any way prejudice the possibilities for the other contracting parties to safeguard their interests. His delegation finally wished to repeat that a plan for regional integration such as that now before the CONTRACTING PARTIES should not lead to the formation of a protectionistic block with high tariffs and should be implemented so as to stimulate trade with all countries and to facilitate the removal of restrictions on world trade.

Mr. JOHNSEN (New Zealand) said that in view of the mention already made by other delegates of particular points in which New Zealand shared similar interest, he would confine his remarks to a brief statement of a general nature on the attitude of New Zealand in so far as her trade might be affected by the application of the Treaty. His delegation fully recognized and appreciated the motives which had given rise to the proposals for the common market. However, until it was known how such provisions would in fact be implemented the New Zealand delegation naturally shared some of the doubts already expressed as to how trade interests with Treaty members, particularly in agricultural products which were so important to the New Zealand economy, might be affected. According to Article 110 of the Treaty, member states through the establishment of the customs union intended to contribute to the harmonious development of world trade, to the progressive abolition of restrictions on international trade and to the lowering of tariff barriers. He was sure no one would disagree with these objectives which were in line with the underlying principles of the General Agreement. Article XXIV also recognized the desirability of increasing freedom of trade through the integration of economies by means of voluntary agreements of the type now being discussed. However, the provisions of that Article made it quite clear that the purpose of a customs union should be to facilitate trade between the parties and not to raise barriers to trade with countries not members of the union. His delegation was particularly concerned with that aspect since there would be far-reaching repercussions if the formation of the customs union resulted in serious restrictions to New Zealand's export trade. Furthermore, the justification for the maintenance of tariff concessions granted to the Six would also require to be examined and the general objectives of the GATT could be jeopardized.

The New Zealand delegation was not endeavouring to prejudge the position but rather to call the attention of the contracting parties to the particular interest and concern of New Zealand. His delegation hoped that the Treaty would be operated not only to conform with the provisions of paragraph 5 of Article XXIV of the General Agreement, in that duties and other restrictions on trade should not be higher or more restrictive than their general incidence prior to the formation of the union, but also that scope would be afforded for increased trade for other countries. It would be helpful if some assurance could be given in that regard.

The New Zealand delegation was indebted to Baron Snoy for the explanations he had been able to give on certain aspects of the proposals. The difficulty involved in stating conclusively at this stage how some of the provisions would operate was recognized and much still remained obscure. Obviously governments would require more information on and clarification of the points which had already been mentioned by other delegates and which it was unnecessary for him to repeat. The New Zealand delegation was generally in agreement with a procedure along the lines suggested by the delegate for Australia which was designed to provide a more complete picture of the proposals and their probable application before the matter was submitted to the CONTRACTING PARTIES. His delegation also felt that the next session of the CONTRACTING PARTIES, when adequate representation could be provided, would be an appropriate time to deal with the matter.

Mr. Max de la FUENTE LOCKER (Peru) stated that the steps taken to establish the European Economic Community and the association of certain overseas territories with it represented a historic landmark in the economic development of Western Europe. However, if his Government considered sympathetically the plans towards closer economic cooperation in Europe, it also wished to make clear that the well-being of a group of countries should not be furthered at the detriment of the interests of other countries. It was not the intention of the Peruvian Government to oppose the plans of the signatory countries of the Treaty, but merely to safeguard its rights and those of the other contracting parties. There were provisions in the Treaty which could conflict or concur with those contained in the General Agreement. It was for that reason that it had been agreed that the Treaty be submitted to the CONTRACTING PARTIES before its ratification so as to enable them to give it substantive examination and to make any recommendations they might deem appropriate. The commitment undertaken by the Six should be respected and sufficient time should be granted for consideration of the Treaty by the CONTRACTING PARTIES before the ratification procedures were initiated in order not to make the guarantees provided for in Article XXIV illusory. While his Government did not ignore the historical and political significance of the Treaty, it would insist that it be subject to the examination and the approval procedures in accordance with the letter and spirit of Article XXIV and that a special session should be convened as had been foreseen. As already pointed out by the delegate for India, any action by the member states could in no circumstances be deemed to prejudice any of the rights of the CONTRACTING PARTIES under the General Agreement.

Mr. WILGRESS (Canada) said that he agreed with Mr. Corse that the Treaty and its relationship to GATT presented the most important problem that GATT had faced in the ten years of its existence. Consideration of that problem might represent a turning point in GATT and the CONTRACTING PARTIES endeavour to see that it was a turning point in the right direction. He also thought that it could be agreed that the problem was the most difficult and complicated one with which GATT has ever been faced. The Canadian delegation had come to the meeting prepared to support any reasonable proposal for the examination by GATT of the Treaty at the earliest possible date consistent with adequate preparation for such an examination and regarded the task before the Committee to be the initiation of appropriate procedures designed to make the GATT review of the Treaty meaningful and effective. To attain that objective the Committee must be careful not to proceed with too great haste, but to lay the groundwork for a complete and thorough examination of the Treaty.

Mr. Wilgress joined in the congratulations extended to the Six for the remarkable achievement of having been able to negotiate and sign the Treaty with a delay of only some two months beyond the target date and added his thanks and appreciation to Baron Snoy for the patience and consideration with which he had explained to the Committee various points about the Treaty. He thought that the cooperation which Baron Snoy had afforded augured well for the future cooperation which would be necessary between the CONTRACTING PARTIES and the Interim Committee.

From the outset Canada had been sympathetic to the political objectives inherent in the movement towards closer economic integration in Europe and had felt that a great deal of positive good could result from this initiative. His Government's only concern had been to assure that the formation of the customs union would not be of such a character as to impede the further development of international trade on a multilateral basis. He thought the delegate for New Zealand had also expressed Canada's concern when he said that the formation of the customs union should lead to increased trade between the countries forming the union, rather than to the erection of additional barriers to trade with outside countries. He had been impressed by Baron Snoy's reference to the remarkable expansion of the trade of European countries since the war and could not help thinking about the important rôle GATT had played in that expansion. A major factor had been the stability of trade relations between Europe and the outside world; GATT had contributed to this stability not only in respect of the maintenance of tariff stability, which had often been referred to as one of its main achievements, but also through the continued application of the most-favoured-nation clause and the other principles embodied in the Agreement. These positive contributions to the well-being of European countries could be jeopardized by a treaty which did not take fully into account the obligations of the European countries towards third countries. He was sure the common market countries would realize that it was in their interests to see that the legitimate concerns of third countries were fully taken into account.

It was from that point of view that the Canadian delegation proposed to examine the provisions of the Treaty to see how far they coincided with the purposes, principles and provisions of the General Agreement. His

delegation would be unable to concur with provisions of the Treaty which went beyond what was considered to be the essential principles of a customs union and which unjustifiably impaired Canadian trade interests. So far his delegation had only been able to give preliminary study to the provisions of the Treaty but he thought it might be useful to mention some of the points which were already causing concern.

Firstly, with regard to the plan for tariff reductions, his delegation was concerned about the provisions for the transition from the second to the third, or final, stage. The overall reduction to be made during the last stage was 40 per cent compared with 30 per cent for each of the first two stages, and 50 per cent on individual products as compared with 25 per cent for the previous stages. It was felt that the heavy commitments undertaken for the last stage might well be too important to be left without a clear-cut programme. Like others who had expressed their views his delegation was concerned about the level of the common external tariff. In this connexion, also, it was felt that when the CONTRACTING PARTIES came to examine the Treaty in detail attention should be paid to arrangements for negotiations under Article XXVIII of bound rates of duty which would be affected by the common tariff. On many important items bound to Canada the new rates would represent a withdrawal of concessions and these would have to be renegotiated. The Canadian delegation shared the concern which had been expressed concerning the agricultural provisions of the Treaty and did not think that quantitative restrictions imposed to protect internal price supports could be justified under GATT. The provisions for long-term marketing agreements appeared to be mandatory and were clearly in conflict with the rules of "no increased protection", of "non-discrimination" and "the observance of commercial considerations" in Articles II and XVII of the General Agreement. As regards quantitative restrictions, Article XXIV, in the view of the Canadian delegation, did not affect the basic provisions of the General Agreement relating to the application and removal of quantitative restrictions. GATT must be the final authority as to the justification for quantitative restrictions and discrimination in trade. The Treaty provided that any measures of liberalization vis-à-vis third countries must be submitted to the European Commission for approval before their application. Further, the European Commission could submit proposals to implement the objective of a uniform list of liberalization. These provisions of the Treaty were inconsistent with the philosophy and principles underlying GATT and also the International Monetary Fund rules on quantitative restrictions. Finally, as regards the provisions of the Treaty in relation to dependent overseas territories, his delegation shared the view that had been expressed by several speakers regarding the incompatibility of these provisions with the General Agreement.

These were some of the points which a preliminary study had indicated were cause for concern. This list must not be regarded as exclusive, since his Government had only had the text of the Treaty for a few weeks and were continuing a thorough study of its provisions. There were some features of the Treaty from which encouragement could be derived. Baron Snoy had referred to the discretionary powers of the Council of Ministers and also to the flexibility in the Treaty. He had said "flexibility was everything". That meant that a lot would depend upon how the Treaty was administered. It should

also mean that the Six should be able to agree with the CONTRACTING PARTIES during the course of the examination as to how the Treaty could be administered in conformity with GATT. It was hoped that the Six would be able to give meaningful assurances in this respect. The Canadian delegation therefore wished at a very early date to have established the extent to which the Six were prepared to conform to GATT as taking precedence over the Treaty.

With respect to the procedures for the detailed consideration of the Treaty his delegation could understand the desire of many countries to have the examination at an early date and, if possible, before ratification of the Treaty. However, for political reasons which were well understood, the Six were proceeding with the ratification process as rapidly as possible. If the CONTRACTING PARTIES were to enter into a race between the examination of the Treaty and the ratification process, that would mean that they would embark upon their task with undue haste and without that adequate preparation to which he had referred. Nor did he think that the actual ratification was as important a factor as might at one time have seemed to be the case. The Committee had seen from what Baron Snoy had said, that a great deal was being left to the discretion of the Council of Ministers. The procedure set forth in paragraph 7 of Article XXIV envisaged the submission of a plan and schedule. What had been presented was more in the nature of a general outline, with the details of the plan to be filled in by the Council of Ministers as they came to implement the Treaty. At the Eleventh Session all that was agreed was that the Six would submit the Treaty for the consideration of the CONTRACTING PARTIES soon after signature and before ratification. That they had done. There was nothing in the decision at the Eleventh Session which required the CONTRACTING PARTIES to complete examination before ratification. The Canadian delegation therefore felt that the proposal which had been submitted by the Australian delegation was the most feasible under the circumstances, and wished strongly to support that proposal.

One of the tasks before the Committee was to make arrangements for full documentation which would enable the CONTRACTING PARTIES to embark on the detailed examination of the Treaty and its relationship to GATT. The Interim Committee was preparing an explanatory memorandum which would be of great value in that it would give more detailed explanations of the more important provisions of the Treaty. This memorandum, however, would be prepared from the point of view of the Six and clarification of the points that were causing concern to the other contracting parties would also be required. This requirement was well covered in the Australian proposal, which provided for the submission of questions by various governments and for answers to be given to these questions by the Interim Committee. Mr. Wilgress felt, therefore, that if the Australian proposal was approved the Committee would have embarked on the first step of that detailed examination which the circumstances required. It should be made clear, however, that the rights of the contracting parties, both individually and collectively, should in no way be impaired through the fact that the detailed examination of the Treaty might not be completed before ratification, since this would be due to circumstances beyond the control of the CONTRACTING PARTIES. If the Committee proceeded along these lines, it would set the stage for a GATT review of the Treaty that would be both meaningful and effective.

Mr. SANDERS (United Kingdom) said that various speakers had expressed their sympathy and support in principle for the objectives which had inspired the Treaty on the European Economic Community, and that there was no need to elaborate upon the interest which his Government shared in these ideals. Mr. Cahan had told the Committee that the discussions were still proceeding in Paris with a view to the formation of a free-trade area. At the same time successive speakers had expressed their concern that the objectives of the Six should follow the principles and objectives of the General Agreement with due regard to the legitimate interests of third countries. The Treaty involved the provisions of the General Agreement through its proposals for the formation over a period of years of a customs union. As the delegate of India had pointed out Article XXIV, and in particular paragraph 7, established very distinctly and explicitly the processes through which such proposals must go in the hands of the CONTRACTING PARTIES. That Article laid down very clearly the rights and responsibilities of the CONTRACTING PARTIES in such a matter; at the same time, it established very clearly the conditions to be satisfied if countries were to be free to put into effect proposals for a customs union. It was useful to be reminded of these provisions and keep them clearly in mind because they were relevant to all the discussions which the CONTRACTING PARTIES were having and would have in the future on the plans for a customs union.

The statements which had already been made had indicated the important angles from which it would be necessary for the CONTRACTING PARTIES, having regard to the provisions of Article XXIV, to examine closely and carefully the proposals of the Treaty. Firstly there was the nature of the plan and schedule. Secondly, there were the special provisions for agriculture which as Baron Snoy had said, did in fact look as though leading to the setting up of a "managed" market for these products. It was clear that one of the most important and difficult questions involved was the extent to which the Six might envisage the need to use quantitative restriction on imports of agricultural products from third countries whether through control of private imports or through the operation of state trading. To the extent recourse to this might be envisaged, it raised the question of the terms and conditions and safeguards on the basis of which the CONTRACTING PARTIES would be prepared at the appropriate time to grant dispensations from the provisions of the General Agreement for actions inconsistent with it. Though the United Kingdom would not itself appear likely to be directly affected by these provisions, Annex II of the Treaty included a number of products of particular interest to some of its dependent overseas territories. Thirdly, there was the level of the common tariff. It seemed that some of the proposed duties might be fixed somewhat higher than might be expected to follow from the strict application of the principles laid down in paragraph 5(a) of Article XXIV. The CONTRACTING PARTIES would need to examine whether, and if so to what extent, this might be the case and what adjustments in respect of particular tariffs already fixed or still to be negotiated ought to be sought. Here again, the United Kingdom had the responsibility for watching the interests of its dependent overseas territories. Fourthly, as regards the provision for association of certain overseas territories with the European Economic Community there were a number of substantial qualifications in the Treaty itself and in the annexed Convention to the principle of progressive elimination of tariffs and other

barriers to trade by these territories which, as other speakers had already remarked, clearly raised the question whether the proposals could be regarded as falling within the ambit of Article XXIV. On the other hand as was well known the CONTRACTING PARTIES had up to then been most jealous in maintaining the limitations imposed by Article I on any extension of preferential arrangements and such limited dispensations from this provision as they had been prepared to allow in the past had been made subject to the most stringent conditions designed to safeguard the interests of third countries. Finally, reference had been made to other provisions, as, for example, those relating to the use of quantitative restrictions for balance-of-payments purposes which might need examination in the light of the relevant provisions of the General Agreement.

Mr. Sanders said that in all these matters his Government shared the interests and responsibilities of the CONTRACTING PARTIES not only on behalf of United Kingdom, but also because it spoke for a number of dependent overseas territories which were concerned as to the possible effect on their trading interests of arrangements which might not strictly conform to the principles and provisions of the General Agreement. The United Kingdom of course shared the desire of the Six to foster the development of underdeveloped areas, but it followed from this very fact that it had the right and the obligation to seek to safeguard the legitimate interests of the underdeveloped areas for which it had special responsibility. It was not, of course, for the Intersessional Committee to attempt to reach any determination on these issues until the full examination which Article XXIV required had been undertaken. The position of the CONTRACTING PARTIES, and of individual contracting parties, remained and must of course remain fully reserved. In listing the various aspects of the Treaty which would need examination it was recognized that, as Baron Snoy had pointed out, much would remain to be determined through the institutitons of the Community as it gradually evolved. It followed of course that much would depend on the Community being developed over the years in accordance not only with the specific provisions of the General Agreement but also with its general spirit and objectives. Baron Snoy had drawn attention to the various provisions of the Treaty itself which related to the existing international obligations of the members and their desire to contribute to the expansion of multilateral trade and he had affirmed their continuing interest as contracting parties to the General Agreement in the promotion of its objectives. The firmness with which the six countries could individually as well as collectively make clear to the CONTRACTING PARTIES and indeed to international opinion generally their intention to apply the provisions of their Treaty in accordance with the principles and objectives of the General Agreement and the confidence which the contracting parties could acquire over the years these intentions would be implemented, must greatly influence the attitude of the CONTRACTING PARTIES to the Treaty, both when they came to undertake substantive examination of it and as they follow its application.

On the question of procedure the discussion had demonstrated that many countries felt they needed more time for studying the Treaty and for securing clarification of the meaning of various of its provisions and indeed of the intentions underlying them. It therefore seemd clear that the CONTRACTING

PARTIES could not properly discharge their important responsibility under Article XXIV at a special session timed to take place without an adequate period for preparation. Some countries appeared to entertain some fear lest deferment of substantive examination of the Treaty beyond the time originally envisaged might prejudice the full and proper execution of their rights and responsibilities under Article XXIV. The United Kingdom delegation did not show this view and thought that it followed quite clearly from the terms of Article XXIV:7(c) that the CONTRACTING PARTIES could defer their substantive examination of the Treaty until later in the year without prejudice to their rights and responsibilities. In the light of all these considerations Mr. Sanders said that it appeared to his delegation that the procedural proposals which had been outlined by the Australian delegation were well designed to meet the needs of the situation and that the Intersessional Committee would be well advised to adopt them.

Mr. HAGUIWARA (Japan) wished to make a constructive contribution to the proceedings of the Committee on the weighty issue of the common market. His delegation had already expressed a preliminary opinion on the Treaty and indicated that although it was well aware of the necessity for the European countries to organize politically and economically, it nonetheless felt apprehensive that the common market countries might raise high protective barriers to the trade of third countries and set up a wide preferential area. He hoped that the discussions with the six governments would allay those apprehensions and he reserved his right to raise several points when the CONTRACTING PARTIES would proceed to a substantive examination of the Treaty. As his delegation had already stated, the Japanese Government gave preference to an examination of the Treaty prior to its ratification. The General Agreement was characterized by its flexibility which was indeed necessary to adapt to sometimes very complex economic circumstances. The provisions of the General Agreement applicable to the Treaty were set out in Article XXIV; quantitative restrictions aspects would be covered by Articles XI to XIV; the association to the common market of the overseas territories would have to be considered in relation to Article I which rigidly prohibits the establishment of new preferences. However, waivers could be granted to all these rules, even to those contained in Article I, and several such waivers requested by particularly influential members had been granted. Admittedly, Article 234 of the Treaty contained the assurance that the rights and obligations resulting from conventions concluded prior to the Treaty would not be affected by the Treaty. However, once ratified, the Treaty would be definitive so that any revision would require a new process of negotiation, signature and ratification. If in that case certain provisions were found to be incompatible with the General Agreement a solution would very likely be sought by means of a waiver to the obligations under the General Agreement and not by recasting the provisions of the Treaty. To take a concrete example, the Japanese Government was of the opinion that the association of the overseas territories was outside the ambit of Article XXIV, and would have to be considered in relation to Article I concerning the creation of new preferences. If this were recognized after the ratification of the Treaty the CONTRACTING PARTIES would be facing a fait accompli, and would have no other solution than to grant a waiver. It was precisely to prevent such an outcome that the CONTRACTING PARTIES should proceed to an early examination

of the Treaty before its ratification, unless the six member states were prepared to give formal assurances that the provisions of the Treaty which might be found incompatible with obligations under the General Agreement would be recast. Mr. Haguiwara supported the reservation of the delegate of India that the rights of contracting parties must be upheld. He appreciated the spirit of the Australian proposal, but had received instructions to insist on consideration of the Treaty prior to ratification. His delegation, however, was prepared to ask for new instructions.

Mr. AUGENTHALER (Czechoslovakia) said that the debate had left him with the impression that the European Economic Community was somehow the consequence of the failure of the GATT in the domain of further reductions in tariff levels and barriers to trade and that it was, in a way, the result of misconduct of the CONTRACTING PARTIES. His delegation, however, held some doubts as to whether GATT had explored all possibilities in the field of promoting trade and expanding its membership. Instead of a world-wide organization the GATT had become an exclusive club and now the CONTRACTING PARTIES were witnessing the creation of another club, one even more exclusive in that the rule of unanimity would prevail for the admission of new members. He shared the opinions expressed by all delegations that there had been hardly time for an adequate examination of the Treaty and thought that the Treaty should be examined in accordance with the provisions of paragraph 7(a) of Article XXIV and that the CONTRACTING PARTIES should establish whether the Treaty satisfied the general conditions outlined in that Article. He would not repeat the objections to the Treaty which had already been heard by the Committee, and would confine his remarks to a few preliminary comments.

The concept of the Economic Community as being "European" seemed to Mr. Augenthaler to be a geographic misnomer and he could not see how the scheme would contribute to the abolition of barriers to trade and the expansion of trade in Europe when there was not even mention in the Treaty of the State-trading countries. He also remarked that the Treaty, in violation of the United Nations Charter, confirmed the ties of overseas territories with some of the member countries of the Community and wondered whether this was appropriate when these territories were attempting to attain self-government by the establishment of free political institutions and the diversification of their economies. Furthermore, he shared the view that the provisions of the Treaty concerning the association of overseas territories were not in conformity with Article XXIV. When trifles, such as the establishment of quantitative restrictions on bath towels or the imposition of a duty on long-playing records, were brought before the CONTRACTING PARTIES lengthy procedures were elaborated to deal with them, but when the CONTRACTING PARTIES were faced with a project which represented a question of great consequence and importance, there was not a single memorandum or report to assist the analysis. He expressed the hope that the procedures proposed by the Australian delegation, with the amendments suggested by the representatives of India, South Africa and Japan, would be accepted and that the secretariat would prepare a study so that the CONTRACTING PARTIES could undertake a detailed examination of the Treaty at an early date. In conclusion, he said that he would reserve his right to make full comments at the final examination of the Treaty and expected that proposals for a free-trade area in Europe would be brought before the CONTRACTING PARTIES with more haste than the Treaty so that the procedures of Article XXIV could be fully adhered to.

Mr. CUHRUK (Turkey) said that his Government wished to congratulate the Six governments which had, in a very short period of time, successfully concluded the very important Treaty instituting the European Economic Community. The Turkish Government was convinced that closer economic collaboration was in the mutual interest of the countries concerned and of all outside countries. The creation of a wide unified market in Western Europe would undoubtedly have far-reaching effects on the trade within the Community as well as on that between the Community and the outside world. For that reason, the almost revolutionary initiative taken by the Six to establish a common market in a very important trading region of the world was likely to give rise in some countries to more or less justified concern when the very vast enterprise was being initiated. Some countries could fear that the creation of the common market might prejudice their economic and commercial interests. His Government, however, thought that, as shown by experience, commercial relations generally expand with any increase in the productive capacity and the prosperity of a region. Inevitably difficulties would arise but they could be overcome by a close collaboration between all countries involved and, everything considered, one was justified to deem that the common market would benefit all countries. The Turkish Government therefore believed that the common market, by its very nature and principles, concurred and coincided with the objectives contained in the General Agreement which provided for the abolition of quantitative restrictions and the reduction of tariffs and for the establishment of a freer pattern of trade.

As at the present stage it was impossible to draw clear economic and commercial conclusions of a Treaty which was not yet being applied, the non-member countries would need safeguards against possible protectionist developments. Such guarantees would be found in the General Agreement and in a positive attitude of the six member states. Article XXIV rigorously regulated the relations between a customs union and the CONTRACTING PARTIES. The Six had undertaken to submit the text of the Treaty for examination by the CONTRACTING PARTIES and a preliminary study of this Treaty had already begun. The deferment of the signature of the Treaty due to understandable circumstances had caused modifications to the schedule and procedure established by the CONTRACTING PARTIES and there had been no sufficient agreement among the contracting parties on whether it was advisable to convene a special session for the examination of the problems connected with the common market. As the text of the Treaty had only reached the contracting parties a few days before, most delegations had only had time for a preliminary examination. In fact, a discussion of the Treaty by the CONTRACTING PARTIES would, when neither explanations nor comments concerning the text were available, require considerable preliminary work. For these reasons Mr. Cuhruk thought that it was neither possible nor opportune at that stage to envisage a special session in the near future. On the other hand the CONTRACTING PARTIES should not give governments and public opinion the impression of being contented with a hasty and insufficiently prepared examination of an issue that was one of the main problems which the GATT had had to face. His delegation was of the opinion that it would be wise to defer the examination of this problem to the Twelfth Session. In the meantime an efficacious procedure would have to be elaborated with a view to preparing a full discussion of the Treaty. As to the text itself the Turkish delegation

was of the opinion that the level of the outside tariff and the problems connected with quantitative restrictions would be of particular interest to the CONTRACTING PARTIES and noted with satisfaction that discrimination in the field of agriculture was being avoided by the inclusion of this sector of the economy in the common market. He hoped that agricultural products would receive the same treatment in the free-trade area which his Government wished to be as large as possible, for it attached very great importance to its future participation in that scheme.

Mr. BAIG (Pakistan) said the document under consideration by the Committee was one which merited considerable study and thought. A treaty establishing a European Economic Community was of world significance; it was the most significant and complicated question with which the GATT had had to deal and as the representative of South Africa had pointed out, it might well become a model, standard or example for similar arrangements in other parts of the world. The whole project was revolutionary. In the circumstances he felt that neither the Six, in their own interests, nor other contracting parties, in their own interests also, could possibly wish the Treaty to receive cursory examination and comment. Consequently, he felt obliged to give strong support to the suggestions made by the delegates of South Africa and New Zealand that further discussions under the provisions of Article XXIV be left until the next general session which was scheduled to take place in October. In addition he supported the proposal made by the delegate of Australia concerning a procedure which might be adopted by GATT to resolve those issues which were clearly open to question and controversy.

He conveyed to the Six the best wishes of his Government in the historic and heroic enterprise which they had undertaken and congratulated them on the progress which they had made. He would add, however, that his Government held the view that they were going a little too fast. The question of a European Economic Community had arisen for the first time, and the Treaty must be without any form of blemish. He suggested to the Six to endeavour to see their way clear to avoid a volcanic process by which the recommendations of the CONTRACTING PARTIES under Article XXIV were sought at an immediate juncture. He enquired whether it would be possible in the general interest to wait until October so that in the meantime spadework could proceed on the lines proposed by the Australian delegation.

Mr. RUSHMERE (Federation of Rhodesia and Nyasaland) said that as his Government had not yet had sufficient time to study the substance of the Treaty his remarks would necessarily have to be brief. His delegation, however, was sympathetic to the objectives of the Treaty and was appreciative of the goodwill which must have prevailed in its negotiation. There had been sufficient comment to indicate to the Committee that many third countries were concerned over provisions of the Treaty and therefore he would not cover the same ground. He supported the proposal of the Australian delegation with respect to the procedure to be followed and he thought that that procedure would ensure that the time available in the next few months would be used to the best possible advantage.

Mr. MAKATITA (Indonesia) said that, as was the case with some other delegates, he was under instructions to request that the Six delay ratification until the Treaty had been submitted to a full examination by the CONTRACTING PARTIES. He could agree, however, to the proposals of the Australian delegation and would report to his Government that that seemed to be the most feasible approach in the circumstances. His delegation shared the apprehensions of the representative for India and feared that the creation of the European Economic Community and subsequent productive activities within the union which extended to the field of primary commodities would quite probably seriously damage the interests of third countries, particularly primary producing countries, and he pointed out that 20 per cent of Indonesia's export trade was with the Six. Furthermore, Mr. Makatita reminded the Six that the common market in Europe established by Napoleon had led to additional production of beet sugar which had created problems that had not yet been solved. In its examination of the Treaty his delegation had been confronted with much detail and owing to the short time that had been available all its apprehensions could not yet be brought up within the context of the GATT. However, it would endeavour to do so and he expressed the hope that that could be done under the procedures proposed by the Australian delegation. He hoped that the memorandum to be prepared by the Interim Committee would deal with the question of the tariff negotiations that would have to be held and that contracting parties would have an opportunity to consider that question as there were great interests involved.

Mr. AMARATUNGA (Ceylon) paid tribute to the Six on their achievement in successfully concluding the Treaty instituting the European Economic Community. While his Government realized the importance of the common market to Europe it believed it would be a progressive step only if its benefits would result in an expansion of world trade. The contracting parties had recognized the desirability of the formation of customs unions provided they conformed with the provisions of the General Agreement. His Government, however, had not yet had an opportunity to give the Treaty the full and exhaustive examination it deserved. On the basis of a preliminary study, nevertheless, certain apprehensions were entertained. The first of these was the scheme for the abolition of internal tariffs and quotas which appeared to give the impression that the possibility was ever present that the transitional period might continue indefinitely, resulting in the formation of a new preferential area rather than a customs union. Secondly, the common external tariff had not been fully scheduled and there seemed to be a possibility that its incidence would be higher than that provided for in the General Agreement. Thirdly, with respect to agriculture, there seemed to be a great deal of uncertainty regarding the final arrangements to be worked out by the institutions to be established under the Treaty. In the interim period, however, it was clear that quotas, minimum prices and other devices would be adopted for the protection of agriculture. In particular, he drew attention to Annex II of the Treaty which referred to Article 38 and in which tea was included as an item for which protection was to be afforded. This, he thought, was surprising since none of the Six were tea producers and production in any of their overseas territories was insignificant. Finally, his delegation firmly believed that the association of the overseas territories of the Six was incompatible with the provisions of Article XXIV of the General Agreement.

Mr. Amaratunga asserted that the aspects of the Treaty he had referred to militated against the most fundamental requirements for the formation of customs unions envisaged under Article XXIV of the General Agreement in that they tended to restrict trade between the Six and other contracting parties. Ceylon was essentially a producer of primary commodities and dependant to a very large extent on the export of those products for its existence and economic development. Any action restricting its trade, therefore, could have serious economic consequences for his country and it must be remembered furthermore that Ceylon's ability to import depended on the extent of its export trade. His delegation had noted with satisfaction that the member countries would respect previous international obligations and provide machinery to resolve any problems that might arise. This policy of cooperation had been exemplified in the manner Baron Snoy had clarified various points of the Treaty and also in the assurances given by him that the by-word of the Treaty was flexibility. His Government believed that both the GATT and the European Economic Community could peacefully co-exist and whatever approaches were made to the problems before the CONTRACTING PARTIES should be in this spirit. Further, with respect to the procedures to be adopted by the CONTRACTING PARTIES in their examination of the Treaty, his delegation felt that the discussion should take place as soon as possible under the provisions of paragraph 7(a) of Article XXIV having due regard to the fact that a prolonged period of study would be necessary.

In the circumstances, his delegation supported the Australian proposal that there should be continued consultations between the CONTRACTING PARTIES and the Six, with the reservation that any recommendations made by the CONTRACTING PARTIES should not be prejudiced by the fact that they might be made after the ratification of the Treaty. His delegation felt that the regular GATT Session scheduled for October would be too late for an examination of the Treaty. He pointed out that one of the reasons urged for consideration of the Treaty at the Twelfth Session was that Ministers would be present and that the matter was of such importance to warrant discussion at that level. On the contrary his delegation felt that if a special session were convened the question would be of such importance as to justify the attendance of Ministers. In the circumstances his delegation felt strongly that the CONTRACTING PARTIES should convene a special session before the Twelfth Session to examine the Treaty.

Mr. STANDENAT (Austria) said that his Government was studying the Treaty but at this stage was not in a position to give instructions concerning Austria's views. The following preliminary comments were his own. Approximately 70 per cent of Austria's foreign trade was carried on with the OEEC countries. In view of this fact the issue before the Committee, for Austria as well as for some other countries, was closely connected with another weighty issue, namely the free-trade area that might associate other European countries with the European Economic Community. As explained by Mr. Cahan, the discussions concerning the free-trade area were still in progress, and no clear idea could yet be given of the outcome. Accordingly, of the two elements that would determine the framework of European economic integration only one was known and for countries which had extensive trade relations with the OEEC countries it was impossible to adopt a final position on the proposal

for a common market before the proceedings in Paris on the free-trade area had made further progress. Any views which his Government might hold on the European Economic Community would require a painful re-examination if no positive decision were taken with respect to the formation of a free-trade area. Mr. Standenat did not think that European countries were leaning towards greater protectionism and Baron Snoy had indicated that such would not be the intention of the Community. The Treaty would offer the CONTRACTING PARTIES all necessary guarantees and safeguards because the Six remained free to adopt liberal commercial policies vis-à-vis the outside world. For her part, Austria would continue to collaborate in the expansion of world and regional trade, for multilateral trade was, and would remain, the major preoccupation of any country in need of raw materials and markets for its manufactured products. No contradiction could be seen between economic integration and the objectives of the General Agreement. These considerations on the substance of the issue determined his views on the procedures to be followed. His delegation wished to avoid any disagreement concerning the procedures which the CONTRACTING PARTIES were to adopt to examine the Treaty. As Baron Snoy and other speakers had indicated, it seemed impossible to carry out any useful substantive discussion on the Treaty in the near future and consideration at the Twelfth Session would therefore be appropriate. Pending final examination procedures should be adopted that would enable preparatory work and preliminary consultations. If that period were put to use for dispelling any misunderstanding there would be better hope to arrive at conclusions at the Twelfth Session. Accordingly, he would support any procedures which would take these considerations into account, and which would be agreeable to the majority.

Mr. VALLADAO (Brazil) said he had followed the debate with great interest and it seemed to him that all aspects of the problem had been presented to the Committee, particularly by the delegate for Canada. Notwithstanding that, however, he thought that the CONTRACTING PARTIES should take into account the regions of the world which would be affected by the implementation of the Treaty. He referred to the discussions that had taken place at the Eleventh Session where the position taken by the Brazilian delegation had been twofold in that they had sympathised with the problems outlined by the speaker for the Six and had stated that they were inclined to take a favourable view of the Treaty, while at the same time they had exercised a certain amount of caution and that the extent and implications of the Treaty were not then known. That position had not changed in that the Brazilian delegation still believed that while the elaboration of the Treaty had given rise to some difficulties of a political and economic nature, it was in conformity with Article 56 of the United Nations Charter which provided for the promotion of higher standards of living, full employment and increased real income. These objectives were also contained in the preamble to the General Agreement. On those grounds, therefore, the Brazilian delegation could not oppose the Treaty. There was another side to the question, however, and here his delegation felt it must voice its concern with respect to the future application of the Treaty. If it were true that the Six were to implement the Treaty in accordance with the objectives of the United Nations Charter, then in accordance with those same objectives they must take into account the

interests of other countries which perhaps might suffer in the same proportion as the position of the Six would be ameliorated. This point was of particular importance to Brazil.

Although his delegation had had little time for an adequate examination of the Treaty it appeared that the contents were revolutionary. There were many aspects covered by the Treaty and it would take some time to deal with all of them, but one in particular was of vital importance to Brazil, namely the association of the overseas territories with the common market. That, he thought, could have very serious consequences for Brazil's external trade and economic development. The nature of the products from the overseas territories which would be absorbed at a higher rate by the common market were such that Brazilian exports of items such as coffee, cocoa and bananas could suffer to such an extent that the decreased earnings of foreign exchange would jeopardize the acceleration of the country's development. The provisions in the Treaty in that context, therefore, were of vital concern to Brazil.

With respect to the procedures to be followed by the CONTRACTING PARTIES, he said that the scope of the Treaty went far beyond that envisaged in Article XXIV of the GATT. He thought that the Treaty should perhaps be dealt with under the provisions of Article XXV, as was the European Coal and Steel Community, rather than under those of Article XXIV which did not go far enough to cope with the problems involved.

Mr. Vallladão thought that the proposal made by the Australian delegation was constructive and would permit governments a breathing space to examine the Treaty and make up their minds in a more precise way. His Government believed, however, that a special session of the CONTRACTING PARTIES should be convened to consider the Treaty as soon as possible. Perhaps it would be presumptuous to believe that the text of the Treaty could be modified but, on the other hand, it had been pointed out to the Committee that the Council of Ministers would have sufficient flexibility to adjust matters in such a way as to satisfy not only the interests of member countries but also of third countries. The Brazilian delegation expressed the hope that in fact that was to be the case and that the Council would have sufficient wisdom to consider matters in that light for, while it recognized the serious reasons leading up to the formation of a European Economic Community, Brazil also had serious problems with respect to the promotion of economic development, full employment and increasing the standard of living of its people as referred to in both the preamble to GATT and the United Nations Charter.

Mr. CAMEJO-ARGUDIN (Cuba) said that while not contending the legitimacy of the schemes concerning the institution of the common market in Europe and the formation of the free-trade area, the Cuban delegation, among other delegations, had declared at the Eleventh Session that those plans were of such importance that the CONTRACTING PARTIES would be well advised to set up a permanent consultations machinery with the countries involved and with the organizations concerned. On that occasion, his delegation had underlined that the formation of a customs union or free-trade area would have to take place in accordance with a pre-established plan and within a reasonable period

of time to avoid that an unsuccessful attempt might turn into a permanent preferential system. Likewise, it had pointed out that any contracting party deciding to enter into a customs union or to participate in the free-trade area, had to notify the CONTRACTING PARTIES promptly and make available to them such information as would enable them to make such reports and recommendations to contracting parties as they might deem appropriate. Although on that occasion it would have been possible for his Government to insist that the Six should communicate to the CONTRACTING PARTIES the draft of the Treaty before signing it, the Cuban delegation had, in a co-operative spirit, accepted the assurances given by Mr. Forthomme in the name of the six governments to the effect that the countries would submit the text of the Treaty after its signature but before its ratification. Unfortunately, in the last weeks the facts had not responded to what the CONTRACTING PARTIES were entitled to expect. First, the special session that was to be held in April had not taken place, and for the time being no other date had even been indicated. Secondly, it appeared possible that the Six were no longer committed by the declarations which they had made at the Eleventh Session, and could proceed to the ratification of the Treaty without obtaining beforehand even a preliminary opinion of the CONTRACTING PARTIES. His Government was fully prepared to approve the establishment of a customs union compatible with the provisions of the General Agreement, but thought that the Treaty must be carefully studied by the CONTRACTING PARTIES before its ratification or even before its provisional entry into force. Consequently, the Cuban Government was of the opinion that a special session should be convened at a date which would suit the majority of the contracting parties, but before the Twelfth Session.

Mr. PRIESTER (Dominican Republic) said that his delegation wished to express its sincere congratulations to the six European powers which had the vision and the strength to conceive the idea of the common market and to carry through to formalization in a signed Treaty. His delegation, as all the others from Latin America represented at the meeting, were fully in sympathy with the basic aims and objectives of that move and sincerely and honestly wished the Six full success in their undertaking to build up a customs union.

The economic benefits likely to flow from the common market had often been telescoped in order to dramatize the gains which the European countries expected to obtain from that really revolutionary move; they had been specially emphasized in discussions with Latin-American countries in an effort to convince them that the advantages which would accrue to them would by far outweigh the disadvantages. The Dominican Republic was also optimistic that in the long run the gains would be considerable, although it was believed that it was not at all obvious that an agglomeration of national markets, each with its own language, customs and distribution methods would offer the same opportunity for mass distribution as an homogeneous national market of the same size. Observation of the United States market suggested that the mass consumer was a special type, qualitatively different from a mass of consumers. This led his Government to the belief that the economies of scale expected to be achieved by the common market could be gained only slowly and over a relatively long period of time.

From that it could be argued that the adverse effects of the common market on the non-participating contracting parties would be felt slowly and gradually. That might be true especially with regard to industrial goods but with respect to agricultural products the situation might be different. Baron Snoy had informed the Committee that in the agricultural field the common market aimed at the creation of an organized market or, as Mr. Cahan of the OEEC expressed it, a "managed" market. That meant that in the agricultural sector there would be internal price supports, production quotas, marketing schemes and quantitative restrictions on imports. While everybody knew the reasons for such a scheme and understood them fully it did not prevent his delegation from being very much concerned about the possible effects on actual or potential markets of the Dominican Republic in Western Europe. He thought that the remarks made by the delegate from Indonesia regarding the development of the sugar beet industry under the continental European scheme of Napoleon had highlighted what his delegation had in mind. He added that there had already been reports in the European press that the first claims had been presented to obtain, via this organized agricultural scheme, a greater share in the supply of some commodities to the common market at the expense of the normal suppliers from overseas. As the Latin American countries had a great stake in the supply of those commodities fears had been expressed that the proposals for agriculture might unduly limit access to the Six for produce from outside that area. The greatest anxiety which had been created in Latin America, however, resulted from the introduction in the common market proposals of a new preferential system, which linked the colonies and posessions of some of the European powers with the common market by way of preferential tariffs to all six markets. In other words, the original idea of "Little Europe" had been converted into "Eurafrica", creating another worldwide bloc of imperial preferences as did the United Kingdom and the Commonwealth at Ottawa in 1931 long before GATT was invented. With all due respect it was their opinion that the six European nations had put the clock back.

The new continental European preferences for tropical products would be a painful handicap for all independent countries such as the Dominican Republic which lived on the export of those commodities and had tried so hard to build up markets in continental Western Europe. These fears would certainly be understood by reference to the margin of preferences foreseen in the Treaty: 80 per cent ad valorem for sugar, 30 per cent for tobacco, 20 per cent for bananas, 16 per cent for green coffee, 9 per cent for cocoa beans, etc. The overseas suppliers had been offered compensation in the form of tariff quotas on a gliding scale, but on a scale which only glided downwards. Those built-in quantitative restrictions could hardly be considered as a fair solution of the problem involved as far as the underdeveloped countries were concerned. It seemed to his delegation that the new preferential area as envisaged in the Treaty was hardly consistent with the basic principle of modern international economic policy as it was spelled out in the General Agreement and which was founded on multilateral trade based on non-discrimination. One of the main provisions of GATT was that the existing preferences should be gradually reduced and no new preferences would be created. The delegation of the Dominican Republic fully agreed with the findings of the United Nations Economic Survey of Europe, published in March 1957, which stated that "these new developments represent a departure from the most-favoured-nation

principle which most countries in Europe and elsewhere had adopted as their guide when approaching their task of dismantling the restrictions accumulated during the thirties and the war years. The new proposals amount to an open abandonment of the most-favoured-nation principle and the adoption of a permanent preferential system by a very important group of trading countries." As with the representative for India his delegation challenged the assumption of the six powers that the creation of the preferential area fell within the scope of Article XXIV of the General Agreement which dealt only with a customs union of an orthodox character. Even if Article XXIV would apply, it remained to be seen how that preferential area scheme could be compatible with the clear stipulation of the Article "that the purpose of a customs union should be to facilitate trade between the parties and not to raise barriers to the trade of other contracting parties".

His delegation therefore looked at the Treaty with great apprehension and found itself in a serious dilemma with regard to the procedure which GATT should adopt towards those proposals. However, it wished to cooperate in a constructive manner towards an adequate handling of the matter by the CONTRACTING PARTIES with the aim of finding a solution which would do justice to both the aspirations of the Six and the legitimate interests of the countries outside the common market. One school of thought was in favour of having a full discussion of the Treaty after ratification and he asked whether at that stage the Six would be in a position to make those changes which the CONTRACTING PARTIES might deem necessary in order to make the Treaty conform with the rules of GATT. That would depend entirely on whether or not the CONTRACTING PARTIES could obtain some kind of guarantee that the Six would put their recommendations into effect. In the absence of such a guarantee, however, his Government was inclined to think that the thorough appraisal of the common market scheme by the CONTRACTING PARTIES should be made at a special session before ratification of the Treaty. Naturally it was fully realized that political factors might make that solution less attractive to the Six, but it should be considered that similar political reasons on the side of the Latin American countries made the postponement of the GATT appraisal until after ratification equally less attractive.

Until now the Committee had only heard proposals to deal with the problem of procedure from countries outside the common market, proposals such as the Australian suggestion with the amendment proposed by the representative for Canada which in the opinion of his delegation would be as fair as possible to all concerned. Those proposals should pave the way for a solution which was fair and equitable to both the interests of GATT and the Six. There was no doubt that the idea of a common market was by itself a great achievement but in the opinion of his delegation it was one of the most important decisions made during the post-war years in the field of international commercial policy. The size of the undertaking by the Six was breathtaking. However, the repercussions on world trade, changes of terms of trade, slowing up of the process of economic development in underdeveloped countries and especially the repercussions on GATT with regard to the principle of multilateral trade on a basis of non-discrimination and the renegotiation of direct and more particularly indirect concessions would be equally breathtaking. To proceed with undue haste would not be in accordance with the magnitude of the problems which had to be solved.

Mr. GARCIA OLDINI (Chile) said that the CONTRACTING PARTIES must find a solution to the problem before them which would take into account the interests of the Six and of the contracting parties which might be harmed by the institution of the common market. Although it seemed that most members of the Committee would have preferred to examine the Treaty before its ratification almost all delegates, for motives which they had only partly explained, were nonetheless prepared to accept to do so only after it had been ratified. In an address to the Congress the Chilean Minister for Foreign Affairs had recognized that the establishment of a common market in Western Europe had become a necessity and might benefit the whole world. He had, however, directed attention to the dangers involved in schemes for economic integration and declared that nothing could be more detrimental to the legitimate interests of all countries concerned than a plan which would hamper the expansion of international trade. The Minister had indicated that it was certainly possible to carry out such schemes without injuring, or discriminating against, the trade of non-member countries, in particular those of Latin America.

The Minister undoubtedly believed that the CONTRACTING PARTIES would examine the Treaty at a special session before its ratification for Mr. Oldini had informed him to that effect. Indeed, paragraph 7(a) of Article XXIV provided that the CONTRACTING PARTIES will be promptly notified of any decision by a contracting party to enter into a customs union, in order to enable them to make, in due time, any appropriate reports and recommendations. In the case of the European Community, for special reasons, it would not be possible to make such recommendations in due time. It had been pointed out that the Treaty provided great flexibility of application and interpretation and bestowed wide powers upon the institutions which it created so that any recommendation formulated after ratification could be implemented. Mr. Oldini, however, believed that any recommendation to the effect of modifying the substance of a ratified text might meet with legal objections on the part of the Parliaments that had adopted it. Therefore as proposed by other representatives the special session should take place before ratification.

Moreover, such a course was not incompatible with the procedure proposed by the delegate for Australia which would, however, have to be modified. Instead of convening the Intersessional Committee towards the end of July, three weeks after receiving explanations in answer to the questions put to the Interim Committee of the Common Market, the contracting parties themselves should be convoked in special session to proceed to a full examination of the Treaty. In addition, the Executive Secretary should be instructed to prepare an informative study on the effects which the common market might have on the trade of contracting parties, on tariff concessions obtained by each contracting party, as well as on the advantages which contracting parties were individually deriving from their participation in the General Agreement.

Mr. Oldini then passed on to an examination of Article 234 of the Treaty reading as follows: "The rights and obligations resulting from conventions concluded prior to the entry into force of the present Treaty, between one or more Member States and one or more outside States, shall not be affected by the

provisions of the present Treaty." In his opinion this Article referred to bilateral agreements entered into by one or several members of the Community with one or more other countries and covered inter alia the advantages obtained in the course of bilateral tariff negotiations. He thought that the Article could cover tariff concessions and tariff quotas granted to Chilean products such as nitrate, fruit, wool, grains, wines, etc. The General Agreement, however, created rights and obligations that went beyond the direct obligations as between individual countries, and these multilateral obligations did not seem to be covered. Accordingly, Mr. Oldini proposed that the CONTRACTING PARTIES, in agreement with the Six signatory governments of the Treaty, should approve a declaration interpreting Article 234 whereby the rights and obligations under the General Agreement would specifically be reserved. It would follow from such a declaration that the decisions by the Institutions of the Community would have to conform with the provisions of the General Agreement. Such a declaration might possibly clear the objections which his Government had in an examination of the Treaty after its ratification, because it would offer sufficient safeguards for any future interpretation of the Treaty.

Mr. SOMMERFELT (Norway) said that although he had little to add to the discussion he did not wish that the silence of his delegation be understood as showing no interest in the Treaty or in the important role that GATT had to play in that connexion. His Government was at present interested in the discussions taking place in Paris concerning the free-trade area and in that respect he would like to underline the fact that in considering membership of the free-trade area his Government did not seek the shelter of protective tariff walls. On the contrary it was the overriding aim of his Government to promote the objectives of increasing the world division of labour and reducing barriers to trade. That policy had already been emphasized by Norway's active participation in the GATT and would be further emphasized in the future when the GATT assumed a "watchdog" role over the European Economic Community. With respect to the procedures to be followed by the CONTRACTING PARTIES his delegation agreed with the proposals made by the Australian delegation.

Mr. BUTTERWORTH (Ghana) said that Ghana had very recently become an independent State and had not yet had time to decide about joining the GATT. This subject was, however, under active consideration. Meanwhile, he wished to draw the attention of contracting parties to the fact that Ghana had a substantial interest in the Rome Treaty provisions arising from her extensive trade in certain commodities and his Government was alarmed at the possible effect that some of the provisions might have on Ghana's external trade. If his Government should decide to join the GATT, it would no doubt send a representative to subsequent sessions to take part in the general examination by contracting parties of the provisions of the Treaty.

Mr. FORTHOMME (Belgium) said that his delegation was in accord with the proposal by the Australian delegation which was practical and would permit an adequate opportunity for the gathering of information and documentation. However, his delegation thought that the Australian proposal would require some revision, and therefore he proposed, that a drafting group be established to prepare a final text for the consideration of the Committee.

Baron SNOY (Chairman of the Interim Committee for the Common Market and EURATOM) said that the exchange of views which had taken place had permitted a better and more concrete understanding of the preoccupations which contracting parties entertained in respect of the Treaty instituting the European Economic Community. He hoped that the apprehensions that had been voiced could be allayed and that the results which the institution of a European Economic Community would bring about, would appear more clearly. By permitting a discussion of the Treaty the Committee had usefully contributed to a better understanding of the legitimate interests of all contracting parties.

Numerous remarks had been made and it did not seem appropriate at this stage to make observations on points of substance. However, in several cases it seemed possible to relieve some concern at once. Several contracting parties had expressed doubts on the length of the transitional period and feared that the Six would not be in a position to complete the formation of the common market within the envisaged time period. The very formal and precise commitments undertaken by each member country of the Community towards the other participants must dispel this fear. Indeed, the Treaty would never have been signed if no absolute guarantee had been given of a maximum transitional period of fifteen years. Baron Snoy said that he had been somewhat surprised by the interpretation of Article 234 of the Treaty given by the delegate for Chile and made clear that it had never been the intention of the drafters of the Treaty to limit the scope of this Article solely to bilateral undertakings. The Article in fact applied to all existing commitments, whether bilateral or multilateral and therefore also to the obligations under the General Agreement. In addition, it was worth nothing that even if this stipulation had not specifically been inserted in the Treaty, it would have made no difference for one of the basic principles of international law implied that no one could ignore the commitments which he had undertaken. As to the effects which the institution of the common market might have on the interests of third countries, only a product-by-product analysis could give the necessary information. Such a study could very well be undertaken later on.

The procedure for consideration of the Treaty by the CONTRACTING PARTIES should strictly abide by the rules set forth in Article XXIV which provided that "...any contracting party deciding to enter into a customs union ... shall promptly notify the CONTRACTING PARTIES and shall make available to them such information regarding the proposed union as will enable them to make such reports and recommendations to contracting parties as they may deem appropriate". The sincere desire of the Six to adhere to these rules should give the CONTRACTING PARTIES all desirable guarantees. Moreover, there was no provision in the General Agreement, under any interpretation, whereby the examination procedure by the CONTRACTING PARTIES should be considered as requiring the Parliamentary ratification procedures of the Treaty to be held up and the Six had never committed themselves to such a postponement.

Many contracting parties had stressed the importance they attached to economic integration in Europe. Considering the importance which the Parliaments of the Six also attached to the Treaty it was impossible for their

Governments to delay the parliamentary procedure concerning the signed instrument. Some delegations had expressed a wish to obtain assurances to the effect that the Treaty would be modified if some of its provisions were found to be in conflict with the General Agreement. It did not appear to be reasonable to request such commitment as it was necessary first to know what recommendations the CONTRACTING PARTIES might make and to what extent they could be implemented. It was not possible to state in advance whether such recommendations would be such as to lead to a revision of the Treaty or whether other measures could be found to solve the difficulties. However, the firm assurance could be given that as long as the Six would remain contracting parties to the General Agreement they would scrupulously observe their obligations under this Agreement.

In conclusion, Baron Snoy said that the proposal by the delegate for Australia seemed judicious and therefore likely to dispel any apprehensions and permit the attainment of a better understanding. A delegate had underlined that an act of faith was requested of the CONTRACTING PARTIES. The governments of the Six, on their part, had full and entire confidence in the manner in which the other contracting parties complied with their obligations under the General Agreement and they expected from them the same attitude towards the Six. Baron Snoy added that the procedure that had been suggested was certainly the best method to provide for a debate likely to promote the common objectives of the GATT and of the European Economic Community.

The CHAIRMAN then proposed that a drafting group be set up composed of representatives of Australia, Brazil, France and India to consider the Australian procedural proposal in the light of the discussion and report to the Committee.

The Committee agreed to that procedure.

At a subsequent meeting the CHAIRMAN invited the Committee to consider the proposals prepared by the drafting group. (Spec/45/57)

Mr. PHILLIPS (Australia)(Chairman of the drafting group) said that some delegations of distant countries had found the original time-table rather tight and the drafting group had therefore modified the dates. It was now proposed that a small working group should be appointed to consolidate the questions submitted by contracting parties. A number of delegations had spoken of the possibility of considering the Treaty at a special session of the CONTRACTING PARTIES, and the proposed text took that possibility into account.

Mr. KAWASAKI (Japan) said that he had noted that his Government's concern was shared by other countries. Although his delegation had not been entirely reassured by the explanations and assurances given, he considered the compromise proposal of the drafting group very practical and would support it. He hoped that any action that might be taken by the Six either individually or collectively, would in no way prejudice the rights of any contracting party or of the CONTRACTING PARTIES.

Mr. GARCIA OLDINI (Chile) asked if due account had been taken of his suggestion that an interpretative text to Article 234 of the Treaty should be provided to include a reference to GATT and to ensure that the CONTRACTING PARTIES' recommendations would have the same value as if they were made before ratification.

The CHAIRMAN said that that point was covered by Baron Snoy's statement.

The Intersessional Committee approved the following text:

The Intersessional Committee, recalling the action taken by the CONTRACTING PARTIES at the Eleventh Session concerning the plans of the Governments of Belgium, Luxemburg, Netherlands, France, Germany and Italy for forming a common market, having discussed procedures for the consideration by the CONTRACTING PARTIES of the Treaty - the text of which was officially transmitted to them on 18 April 1957 - and, believing that further preparatory work is necessary to facilitate effective examination of the Treaty by the CONTRACTING PARTIES under the relevant provisions of the General Agreement, agreed on the following procedures:

1. At the end of the Intersessional Commitee's meeting the Executive Secretary shall transmit to all contracting parties the summary records of the Committee's proceedings on the Treaty together with any documentation that may be received from the Interim Committee for the Common Market. At the same time he shall invite contracting parties to submit questions not later than 31 May 1957 concerning the provisions of the Treaty and its implementation.

2. A small Working Group of the contracting parties to be appointed by the Chairman shall meet immediately after the end of May to prepare a consolidated list of questions for transmission to the Interim Committee. The Executive Secretary shall then forward the list to the Interim Committee and shall enter into such consultations as may be necessary to assist the Committee.

3. The Interim Committee shall be requested to supply explanations in answer to the questions to the Executive Secretary not later than 15 July 1957. These will be conveyed by the Executive Secretary to the contracting parties. The Intersessional Committee shall be convened in the latter half of August for such further examination of the Treaty as may be necessary, and to recommend the subsequent procedure to be adopted for consideration of the Treaty by the CONTRACTING PARTIES either at a Special Session or at the latest at the Twelfth Session.