

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

IO/SR.31
14 May 1957

Limited Distribution

Intersessional Committee

SUMMARY RECORD OF THE MEETINGS

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

Chairman: Sir Claude COREA (Ceylon)

- Subjects discussed¹:
1. Continued Application of Schedules - Expiry of Declaration of 10 March 1955
 2. Intensification of Finnish Import Restrictions
 3. Anti-dumping and Countervailing Duties
 4. Restrictive Business Practices
 5. France-Tunisia Customs Union
 6. Greek increase in Bound Duty
 7. Arrangements for Article XII:4(b) Consultations
 8. Proposed Negotiations of the New Brazilian Tariff
 9. Prospects for Tariff Negotiations with Switzerland
 10. Plans for building an Extension to Le Bocage
 11. Chilean Luxury Tax on Automobiles
 12. French Special Temporary Compensation Tax on Imports
 13. Export of Subsidized Eggs and Cattle from the United Kingdom

1. Continued Application of Schedules - Expiry of Declaration of 10 March 1955

The CHAIRMAN invited the Committee to consider the proposals put forward by the Executive Secretary in document L/623 concerning the situation with respect to the continued application of the Schedules to GATT when the Declaration of 10 March 1955 expires on 31 December 1957, and a draft decision submitted by the Executive Secretary for arrangements for negotiations to enable contracting parties to modify or withdraw particular concessions in their schedules on 1 January 1958 before accepting a new prolongation of the assured life of their schedules as from that date; the draft decision also contained recommendations envisaging that notification of items to be modified or withdrawn would be submitted by 15 July, that claims of substantial interest would be notified by 1 September and that negotiations would begin not later than 1 October.

¹The Summary Record of the discussions on Plans for a European Customs Union and Free-Trade Area was issued in IO/SR.30.

Mr. FORTHOUME (Belgium) pointed out that it would be difficult to conduct tariff negotiations at the time proposed, as in early October there would be meetings of the Intersessional Committee to prepare for the Twelfth Session as well as Article XII consultations.

Mr. JOHNSON (New Zealand) said that his Government was currently revising the tariff; it was expected that the work would be completed only at the end of June, and it would therefore be difficult to determine by 15 July what items, if any, would require renegotiation.

In reply to the representatives of Belgium and New Zealand, the EXECUTIVE SECRETARY pointed out that the dates given were only a recommendation and that even under the provisions of Article XXVIII (Revised) governments would have until the end of September to notify items which they wished to renegotiate. It was hoped that as many contracting parties as possible would commence negotiations earlier than 1 October.

Mr. CORSE (United States) agreed with the proposed procedure. In view of the workload confronting the contracting parties in coming months, he hoped that notifications would be kept to a minimum. He asked that, where possible, the notifying country should indicate the countries with which items were initially negotiated and should furnish statistical data on current imports. Further, the country might indicate the compensation that would be offered and, in order to avoid the difficulties that had occurred on previous occasions, it would be helpful to know whether a complete withdrawal of the concession was intended or whether the item would be rebound at a higher rate of duty.

Mr. ADARKAR (India) thought it would not be appropriate to request a country wishing to modify an item in its schedule to indicate from the outset the compensation it was prepared to offer.

In reply the EXECUTIVE SECRETARY said that, if the contracting parties approved the draft decision, he would distribute a paper outlining the procedures for the negotiations which would take into account the suggestions made by the United States representative. On previous occasions, the secretariat had suggested that governments should, where possible, indicate the compensation to be offered, but there could clearly be nothing mandatory about providing such information, and a country which was unable to provide it in advance could not be considered to be in default of the established procedures.

Mr. PRIESTER (Dominican Republic) agreed in principle with the draft but thought that the proposal to create a European common market raised a new problem in connexion with the continued application of the schedules because some underdeveloped countries might wish to withdraw concessions which had been granted, either directly or indirectly, to the participating countries. Any new declaration regarding the continued application of schedules should specify that the undertakings given therein would be without prejudice to the situation arising as a result of subsequent action by governments participating in the common market.

The EXECUTIVE SECRETARY said that the implications of the creation of a European common market had been foreseen but close examination showed that the legitimate rights of contracting parties were protected by the provisions of the General Agreement. Article XXIV:6 provided that if the implementation of the treaty involved modification of bound rates of duty the parties to the treaty were required to renegotiate in accordance with the procedures of Article XXVIII; under those procedures, if no agreement were reached in the negotiations, the countries affected could withdraw equivalent concessions from the members of the common market. A further safeguard was provided by Article XXIII which could be invoked if a contracting party considered that benefits accruing to it under the General Agreement were being nullified or impaired by action of another contracting party.

Mr. PRIESTER (Dominican Republic) agreed, but explained that his Government was particularly concerned about the creation of a preferential area through the proposed association of the overseas territories; this did not fall within the scope of Article XXIV and there was no provision which specifically covered it. Also, he doubted whether Article XXIII could provide full protection. He therefore wished to reserve his Government's position with regard to a new declaration extending the validity of the schedules.

Mr. DONNE (France) pointed out that the Committee was not being asked to decide upon a new declaration. Furthermore, the common market Treaty provided that the first step towards setting up a common external tariff would be taken only four years after the entry into force of the Treaty and, as any new declaration would be valid for only three years, there seemed to be no difficulty on that score.

Mr. PRIESTER (Dominican Republic) said his doubts related to the preferential area, as the provisions covering the margin of preferences and tariff quotas would enter into force one year after signature of the Treaty.

Mr. MAKATITA (Indonesia) agreed with the representative of the Dominican Republic. However, approval of the procedure suggested would in no way prejudice the decision that might be taken at the Session, and contracting parties would have an opportunity to renegotiate beforehand, if they so desired.

The EXECUTIVE SECRETARY confirmed the point made by the French representative that the question of a new declaration would be taken up at the Twelfth Session. In reply to a question from Mr. STANDEHAT (Austria) about the date for notification of claims of substantial interest, he emphasized that the procedures proposed were in the form of recommendations and the dates could not be binding. The mention of "Geneva, or other convenient place" had been included because it appeared that there might not be sufficient office accommodation available in Geneva.

Mr. SCHWARZMAN (Canada) considered it important for the Committee to establish procedures and a target date for renegotiations. His Government would have some items to renegotiate and would do its utmost to comply with the proposed time-table.

The Executive Secretary's proposals in L/623 were approved and the CHAIRMAN invited delegations to vote on the draft decision as representatives of contracting parties; the contracting parties not represented at the meeting and those whose representatives were not in a position to vote on behalf of their governments would be asked to vote by postal ballot.

The representatives of twenty contracting parties recorded affirmative votes on behalf of their governments and the decision was therefore approved as follows:

"The CONTRACTING PARTIES to the General Agreement on Tariffs and Trade,

"DESIRING to make arrangements similar to those provided in the revised text of Article XXVIII, contained in the Protocol amending the Preamble and Parts II and III of the General Agreement, whereby contracting parties wishing to modify or withdraw particular concessions in their Schedules on 1 January 1958 may enter into negotiations before the end of 1957 for that purpose,

"RECOMMEND:

1. that a contracting party wishing to enter into negotiations under the provisions and procedures of Article XXVIII in order to modify or cease to apply on 1 January 1958 the treatment which it has agreed to apply under Article II to any product described in the appropriate schedule annexed to the General Agreement should, not later than 15 July 1957, notify the Executive Secretary and the contracting party or parties with which the concession was initially negotiated;
2. that a contracting party which considers it has a substantial interest in any concession so notified should advise the Executive Secretary and the contracting party wishing to modify or withdraw the concession, as soon as possible and not later than 1 September 1957;

"DECIDE to invite all contracting parties involved to assemble in Geneva, or other convenient place, on 1 October 1957 (or earlier if the Executive Secretary finds that the scope of the negotiations warrants the choice of a date in September), on the understanding that those contracting parties which are in a position to do so will be free to start their negotiations on a bilateral basis in advance of the multilateral stage of the negotiations; and

"INSTRUCT the Executive Secretary to make all the necessary arrangements for the negotiations."

2. Intensification of Finnish Import Restrictions
(L/614 and Add.1)

The CHAIRMAN recalled that, as reported to the Committee on 15 January (IC/SR.29), the Finnish Government had made an important modification to its import restrictions, details of which had been distributed in document L/614.

On 29 January the Executive Secretary had reported (GATT/AIR/102) that the new measures appeared prima facie to constitute a substantial intensification within the meaning of Article XII:4(b), calling for consideration by the Committee in accordance with the provisions of that Article which require that the CONTRACTING PARTIES "shall invite any contracting party substantially intensifying its restrictions to consult within thirty days". In view of the fact, however, that the measures affected imports only for the period ending 31 March, he had suggested that the question should be considered at the April meeting of the Committee, unless any contracting party requested an earlier meeting, in order to decide whether Finland should be invited to consult with the CONTRACTING PARTIES. The Finnish Government had now submitted details of the restrictive system to be applied during 1957 (L/614/Add.1).

Mr. TIKANVAARA (Finland) said that in establishing the new import restrictions, his Government had considered that, in order to avoid any discrimination in the application of quantitative restrictions which might adversely affect Finland's trading partners and to maintain the advantages of free imports to the largest possible extent, the introduction of a global quota system offered the most expedient solution. Import quotas under bilateral agreements would be included in the global quota system; this would entail the suspension of quota lists for bilateral agreements already in force, in agreement with the contracting parties concerned, and his Government considered that bilateral agreements which had expired or would soon do so should be renewed or extended without quota lists. Consultations had commenced in Helsinki on 24 April between the Finnish Government and the following countries: Austria, Belgium, Denmark, France, Federal Republic of Germany, Ireland, Italy, Netherlands, Norway, Portugal, Sweden, Switzerland and the United Kingdom. Representatives of Canada and the United States were following the negotiations closely. In view of the fact that Finland would be consulting with the CONTRACTING PARTIES before the opening of the Twelfth Session in the programme of Article XII consultations and had been in close touch with the International Monetary Fund, his Government would prefer the consultation on the new import restrictions to take place at that time.

Mr. WILGESS (Canada) said that, while he welcomed the movement away from bilateral quotas, his Government would wish to examine in detail the effects on various products. He supported the proposal that consultation with the CONTRACTING PARTIES should take place simultaneously with the other consultation in October.

Mr. PHILLIPS (Australia) and Mr. CORSE (United States) shared the view of the Canadian representative.

The Committee agreed to invite Finland to consult with the CONTRACTING PARTIES at the time of the October consultation already agreed upon.

Mr. SALLE (International Monetary Fund) stated that the Fund would be prepared to consult with the CONTRACTING PARTIES pursuant to Article XV in that connexion, and would transmit the necessary documents to the CONTRACTING PARTIES beforehand.

3. Anti-dumping and Countervailing Duties

The CHAIRMAN said the secretariat was proceeding with its task of analysing the information which contracting parties had submitted on their legislation providing for the levy of anti-dumping and countervailing duties and that a number of governments had arranged for experts to come to Geneva for discussions with the secretariat. As it was expected that this analysis would be completed by September the Chairman asked whether consideration of the item could be deferred until the September meeting.

The Committee agreed to take up this item at its meeting in September.

Mr. GARCIA OLDINI (Chile) informed the Committee that Chile had no legislation requiring the imposition of anti-dumping duties.

4. Restrictive Business Practices

The CHAIRMAN recalled that the memoranda on restrictive business practices submitted by the Governments of Germany and Norway at the Eleventh Session had not been examined in detail but had been referred to the Committee for consideration. He enquired whether it was the intention of any contracting party to put forward specific suggestions in time for the Committee to consider them at the meeting in September and to report to the Twelfth Session.

Mr. KLEIN (Germany) agreed that the item be considered at the September meeting. As restrictive business practices were a rather complicated matter, he asked whether it would be appropriate to invite governments to include experts on this subject in their delegations for the September meeting to assist the Committee in its task.

Mr. SOMMERFELT (Norway) said that the establishment of a common market and free-trade area in Europe might foster the creation of international trusts and cartels by facilitating the concentration of capital and by reducing the possibility of protection through tariffs and quantitative restrictions. Fully aware of this danger, the Six had written into the Treaty instituting the European Economic Community provisions forbidding restrictive business practices and the inclusion of similar provisions in the free-trade area convention was envisaged. Since the Eleventh Session, the danger of restrictive business practices had been seen in various countries outside Europe. On 20 November 1956 the Council on Foreign Economic Policy of the United States had stated that the efforts to lower the economic barriers in the common market and free-trade area should be accompanied by measures to discourage private restrictive trade practices. During the trade talks last autumn between Australia and the United Kingdom, the two Governments had recognized that restrictive practices could have a material effect on the level of trade between them and had agreed to consult together. The Norwegian Government had always been firmly convinced that neither unilateral action by individual countries nor regional agreements could provide an effective control of such practices. Only a world-wide approach could succeed and the GATT was undoubtedly the appropriate body to deal with the problem. Any proposals to deal with restrictive business practices would largely depend on the outcome

of the negotiations on the free-trade area in Paris, his delegation could not make specific suggestions at this stage. Proposals that would be submitted after the conclusion of the discussions in Paris would take into account the principles set out in the Havana Charter, the ECOSOC proposal, the draft agreement of the Council of Europe, the provisions of the Coal and Steel Community, the Treaty instituting the European Economic Community, as well as the conclusions of the free-trade area discussions. With this material a working party could embark on discussing the subject. Mr. Sommerfelt suggested that governments should be invited to submit proposals and observations so that a working party could prepare a report for the Twelfth Session.

The Committee agreed to recommend that, if possible, governments include experts in their delegations to the September meeting and to invite contracting parties to submit proposals for consideration at that meeting.

5. France-Tunisia Customs Union

The CHAIRMAN recalled that at the Eleventh Session the CONTRACTING PARTIES had instructed the Committee to examine the provisions of the Convention establishing the Franco-Tunisian Customs Union. In view of the fact that the Final Act of the Common Market Conference included in an annex a declaration of intention to propose to the independent countries of the franc area the opening of negotiations with a view to concluding conventions for economic association with the Community, there might be some advantage in deferring consideration of this question until the Twelfth Session.

The Committee agreed that the question be deferred for examination at the Twelfth Session.

6. Greek Increase in a Bound Duty

The representatives of Greece and Germany agreed to the proposal of the Chairman that the Committee should examine this question at the meeting in September.

The Committee instructed the Executive Secretary to obtain from the Customs Cooperation Council in Brussels an advisory opinion on the question of customs classification involved in this complaint.

7. Plans for Consultations under Article XII:4(b)

The EXECUTIVE SECRETARY reported that, by way of preparation for the consultations pursuant to Article XII:4(b), the secretariat had been requested to compile basic documents dealing particularly with the trade aspects of the restrictions and, in preparing these papers, to consult with the contracting parties concerned. In order to strengthen the secretariat in the performance of these tasks Mr. W.T. Doig of Australia had been appointed as consultant and adviser, and Mr. R.A. Arents of Belgium to assist Mr. Doig. He expressed his appreciation to the Governments of Australia and Belgium for making these officers available to the secretariat. The following time-table for consultations with nine European countries had been agreed by the governments concerned and by the International Monetary Fund:

Week beginning 10 June	Sweden, Norway, Denmark
Week beginning 17 June	France, Italy, Greece
Week beginning 24 June	Austria, Germany, Netherlands

Preliminary drafts of the secretariat's papers had been sent to the governments concerned for comment and Mr. Doig and Mr. Arents had visited the capitals of the first six of these countries and had discussed with officials the contents of the papers. Together with the background papers and other relevant documentation to be furnished by the Fund the secretariat's paper would be distributed to all contracting parties one month before the beginning of the consultations.

In the near future an approach would be made to the contracting parties which were to consult immediately before the Twelfth Session and early in the Session and to the International Monetary Fund. It was the intention to propose the following time-table.

Week beginning 30 September	Finland, Turkey, Japan
Week beginning 7 October	United Kingdom, Rhodesia and Nyasaland
Week beginning 21 October	South Africa, Australia, New Zealand
Week beginning 28 October	Pakistan, Ceylon

It was still unknown whether Brazil would participate in the consultations immediately before the Session. The decision would depend on the developments in Brazil's plans for tariff and foreign exchange reforms. In accordance with the time-table, it was proposed to convene the Consultations Committee for three weeks in June and for two weeks commencing 30 September. The meetings in June would in fact begin on Tuesday 11th, as Monday the 10th was a public holiday.

In conclusion the Executive Secretary thanked the governments which had already received Mr. Doig and Mr. Arents for their courtesy and assistance and hoped that the other governments which were consulting would do the same. The new procedure of arranging for direct contacts of members of the secretariat with officers of various governments was a very important precedent for GATT action in certain fields. The subject matter of the consultations was one of great sensitivity to the governments concerned and it was gratifying that the procedure had evolved happily.

In reply to a question by the delegate for Chile the Executive Secretary indicated that the arrangements for visits by officers of the secretariat would not be limited to European countries. Furthermore, it was his intention to arrange for similar visits when, in the future, consultations would take place pursuant to Article XVIII.

Mr. VALLADAO (Brazil) said that due to the very reasons pointed out by the Executive Secretary it was not possible at this time to give more precise information concerning the participation of his Government in the consultations. In June the law on foreign trade regulations would expire and it was unknown

whether Parliament would renew that law or introduce new regulations. The secretariat would be kept informed of any new developments.

Mr. DONNE (France), referring to the procedure for the consultations, said that the secretariat's paper and the background papers of the Fund were to serve as a basis for these consultations and would be examined simultaneously. As the last consultations of France with the Fund had taken place during 1956 and new consultations were scheduled for July 1957, he asked the Committee whether it would be appropriate to postpone the consultations with his Government until October so that the information on the French balance-of-payments position to be furnished by the Fund would be up-to-date. His Government had no objection to entering into consultations on 17 June as had been programmed and agreed, but in view of the deterioration of the French balance of payments it might be preferable to wait for full information on the recent developments.

The EXECUTIVE SECRETARY said that while, so far as possible, it was desirable that the consultations of the CONTRACTING PARTIES should be synchronized with those of the Fund, this was a matter of convenience and it did not follow that the CONTRACTING PARTIES must normally wait for the Fund's consultations with the same countries to be concluded. In fact, the provisions of Article XV envisaged that the Fund would consult with the CONTRACTING PARTIES when at any time; under other provisions of the General Agreement, the CONTRACTING PARTIES were required to consult with any contracting party on balance-of-payments questions. However, he saw no objection to postponement of the consultation with France, if such deferment were decided for the greater convenience of the CONTRACTING PARTIES.

Miss SEAMAN (United Kingdom) reminded the Committee that for a number of years the CONTRACTING PARTIES had consulted with the United Kingdom on the discriminatory application of its import restrictions eleven months after the completion of the consultation with the International Monetary Fund.

Mr. CORSE (United States) recognized the importance of having up-to-date information and views on the balance-of-payments position of the countries that were consulting, but he drew attention to the recent corrective measures instituted by the French Government which, although not limiting imports to an absolute maximum level, were nonetheless aimed at restricting imports. He thought that it was desirable to discuss these measures at an early date and preferred that the consultation be held as originally scheduled.

Mr. SALLE (International Monetary Fund), in reply to a question by the representative for Belgium, said that the date for the Fund's consultation with France had been agreed and did not think that it would be possible to modify that date. If the CONTRACTING PARTIES decided to consult with France in June the Fund would assist by preparing supplementary information concerning the developments since its 1956 consultation. This additional data, however, would be less comprehensive than the background papers being prepared for its next consultation to be held in July.

The Committee decided not to recommend any change in the agreed time-table.

8. Negotiations on the new Brazilian Tariff

The CHAIRMAN recalled that, under the waiver granted to Brazil by the Decision of 16 November 1956, the Brazilian Government was permitted to put into force its new customs tariff immediately following its enactment, provided it would begin negotiations with other contracting parties as soon as possible after the tariff was enacted in order to establish a new schedule of tariff concessions. A Tariff Negotiations Committee, composed of the contracting parties wishing to participate in the negotiations, had been established to make the necessary arrangements for the conduct of the negotiations. He called on the representative of Brazil to report on the possibility of the new tariff being enacted in the near future.

Mr. VALLADAO (Brazil) said that he could not enlighten the Committee at this stage. The new tariff was under consideration by Congress and while he could not foretell any exact date for approval he expected it to be in the near future.

It was agreed that this question should remain on the Committee's Agenda.

9. Tariff Negotiations with Switzerland

The CHAIRMAN stated that at the Eleventh Session the CONTRACTING PARTIES had agreed to the request of the Swiss Government for an opportunity to enter into tariff negotiations with a view to provisional accession to the GATT. It was envisaged that these negotiations would be held in 1957 on the basis of the new tariff when it had been approved by the Swiss Government. He invited the observer for Switzerland to indicate when the new tariff was likely to be approved and whether the negotiations could be commenced this year.

Mr. HALM (Observer for Switzerland) informed the Committee that the revision of the tariff was expected to be finished by the end of May and it would be submitted to the Federal Council for approval while copies would be transmitted to the secretariat for information. Technically, therefore, Switzerland would be able to enter into tariff negotiations towards the end of the year. However, in view of the possibility of the creation of a European free-trade area his Government, understandably, would hesitate to enter into any negotiations until the position in that matter had been clarified. He requested therefore that the question be left over to the next meeting of the Committee.

It was agreed that this question should remain on the Committee's Agenda.

10. Plans for building an Extension to "Le Bocage"

The DEPUTY EXECUTIVE SECRETARY recalled that at the Eleventh Session the CONTRACTING PARTIES had approved in principle the project of adding a wing to the secretariat building and had authorized the Executive Secretary to give effect to it, subject to final approval by the Committee of the detailed plans

for the building and for financing the scheme. The CONTRACTING PARTIES had also instructed the Executive Secretary to negotiate with the United Nations for an extension of the present lease to twenty-five years, with an option to renew the lease at the end of the period and to obtain a guarantee that the present rental would not be increased so long as there was no substantial change in the price level in Geneva; he reported that agreement had been obtained from the United Nations to these proposals.

The architects had finalized the plans and they had been open for examination by delegations at the secretariat's offices. No tenders had yet been received, but the architect expected that the cost would not exceed the \$60,000 approved by the CONTRACTING PARTIES at the Eleventh Session. Should it exceed this amount the additional cost could be met out of reserves. The Swiss authorities had been approached and had agreed to finance the project at a low rate of interest, but this now appeared unnecessary. If the scheme were approved the building operations could be started early in May. Since the work could not be completed before the end of the year several projects which had been envisaged on its completion would have to be postponed, including the extended trainee scheme. Nevertheless, since an office had been made available at the Palais des Nations it would be possible to accommodate eight trainees in the second half of the year.

11. Chilean Luxury Tax on Automobiles

Mr. CORSE (United States) recalled that at the Eleventh Session the CONTRACTING PARTIES had noted that consultations were proceeding between his Government and the Government of Chile concerning a new tax on automobiles introduced by Chile in August 1956. He reported that the situation had been rectified and his delegation expressed its gratitude to the Government of Chile for having taken appropriate action to that end.

12. French Special Temporary Compensation Tax on Imports

Mr. CORSE (United States) referred to recent action taken by the Government of France to increase the tax to a uniform rate of 15 per cent and to extend it to apply to virtually all liberalized imports. His delegation might request at a later date that this question be taken up by the Inter-Sessional Committee.

The CHAIRMAN stated that this question would be on the Committee's agenda for its meeting in September.

13. Export of subsidized eggs and cattle from the United Kingdom

Mr. CHRISTENSEN (Denmark) said that the problem had been described in detail in a memorandum by his Government which had been circulated to the contracting parties (I/627). In recent years there had been a great expansion of agricultural production in the United Kingdom as a result of the payment of subsidies and this had had such serious consequences for the marketing of Danish agricultural produce, particularly eggs, that the Danish Government felt that it must bring the matter to the attention of the CONTRACTING PARTIES. The policy of subsidizing British egg production had not only resulted in the loss of the important United Kingdom market for Danish exporters, but had also created surpluses in the United Kingdom for export to the European market, in particular Western Germany. These exports of surplus eggs had had a depressing effect on prices in these markets where Danish exporters, after the loss of the United Kingdom market, had found new outlets for their produce. British subsidies on cattle had also had damaging effects on Danish exports to Continental markets, but his Government was inclined to wait and see the results of these subsidies and of those on potatoes.

Since early in April 1957 exports of eggs had increased sharply to 25,000 boxes weekly. Furthermore, it had been reported that United Kingdom exporters were taking steps to further increase the exportation of eggs. Ever since the loss of the United Kingdom market, Danish exporters had been particularly dependent on sales of eggs to the West German market and the depression of prices for eggs in that market, which primarily resulted from subsidized exports by the United Kingdom, had led in Denmark to considerable slaughter of poultry for export.

Although his Government appreciated the action taken by the United Kingdom in March 1957 in reducing the guaranteed price for eggs by 3½ per cent, it was of the opinion that that reduction would only have a limited effect on production and exports. The Danish Government requested that the CONTRACTING PARTIES consider the limitation of the subsidy under the provision of Article XVI by reason of the fact that the United Kingdom subsidy had directly acted to increase exports of eggs at the expense of Danish exporters. The additional provisions on export subsidies in the revised text of Article XVI stated that such subsidies should not be applied in a manner which resulted in a contracting party having more than an equitable share of world trade in that product. In the light of these revised provisions he drew attention to the fact that the United Kingdom had not previously been an exporter of eggs and, although the revised article was not yet in force, its provisions had been accepted both by the United Kingdom and Denmark. Furthermore, he said that the application of countervailing duties as provided for in Article VI would be relevant in this case.

His Government would therefore propose to the United Kingdom that, failing outright prohibition of subsidized exports, subsidies paid to producers should be repaid on exportation.

Baron BIENTINCK (Kingdom of the Netherlands) associated himself with the remarks of the representative of Denmark and pointed out that his Government was also concerned with this question since the Netherlands and Denmark were the only two large suppliers in Western Europe. The mild winter weather had stimulated the production of eggs with a resultant depression of prices and in the United Kingdom production had also increased, but he was of the opinion that this increase was mainly due to the United Kingdom price guarantee system which left a considerable profit margin for producers. While at first United Kingdom firms were not fully equipped to enter the export market, that situation had now been overcome and large quantities were being exported weekly. As stated by the representative of Denmark, there had been a distinct fall in export prices in Western Germany as a result of direct sales and offers of sale by the United Kingdom. In the Netherlands there had also been some slaughter of poultry and requests had been received for assistance. His delegation therefore supported the Danish requests and urged the United Kingdom Government to take appropriate measures at an official level in order to check further exports of eggs to Europe on an artificial basis.

Mr. KLEIN (Federal Republic of Germany) supported the Danish proposal and stated that his Government was also concerned with this problem. Exports of United Kingdom eggs to the West German market had had a marked effect on prices and had strengthened the claim of agricultural producers for the imposition of import quotas.

The representatives of Belgium and Sweden also supported the Danish proposal.

Mr. SANDERS (United Kingdom) assured the Committee that his Government was sensitive to the concern which had been expressed at the meeting. In response to the initial representations made by the Government of Denmark, the United Kingdom Government had stated that it was not their intention to subsidize agricultural production for export. The mild winter weather had resulted in sharply increased production of eggs which had caused concern also to the United Kingdom authorities and it had been decided to reduce the guarantee price. That decision had been taken in the spirit of Article XVI which, he pointed out, referred to the limitation of a subsidy rather than to the effects of the subsidy. In further bilateral discussions with the Danish Government, his Government had made it clear that if it were satisfied that exports were causing serious prejudice to Danish interests and seemed likely to continue to do so, it would consider taking urgent action immediately. At that time, however, his Government was not satisfied that the question of injury had been established since it had held the view that the sudden emergence of the United Kingdom as an exporter had been the result of the continuation of many exceptional circumstances which were not expected to recur. In addition, he pointed out that during April there had been a seasonal reduction in the guaranteed price. Furthermore, there had been an increase in domestic consumption.

In bilateral discussions with Denmark his Government had held the view that there was not sufficient evidence to show that the situation would be likely to continue or recur to justify any further action other than that taken with respect to guaranteed prices. On the other hand, there had been recent tendencies in the domestic market towards an upward movement of prices which would result in the reduction of the differential between domestic prices and prices in Continental markets and should henceforth make the export of eggs less profitable.

His Government was prepared to watch the situation closely and to maintain bilateral contacts with the Danish Government, and he assured the representative of Denmark that if his Government were satisfied that serious injury was developing it would immediately consider taking remedial action.

Mr. CHRISTENSEN (Denmark) agreed with the representative of the United Kingdom that exceptional circumstances might have prevailed. However, his Government was more concerned with the importance of the developments which had taken place. While the United Kingdom had reduced the guaranteed price for eggs by $3\frac{1}{2}$ per cent, the fact remained that that price was nearly three times the world market price. In recent weeks the United Kingdom, once an importer of eggs, had been exporting as many as Denmark, a traditional exporter. His Government believed that the present situation could not be ameliorated without special measures being taken and while it was prepared to continue bilateral negotiations with the United Kingdom it was only on the understanding that there would be a clear definition of the circumstances under which the United Kingdom would take steps to prevent such exports. He thought it might be useful for the Committee to appoint a panel to examine this complaint in the event that no results could be obtained from bilateral discussions.

Mr. SANDERS (United Kingdom) said that it was very difficult in a matter of this type to give any precise assurances. His Government, however, was prepared to give attention to any suggestions made by Denmark in the process of bilateral discussions.

Baron BEYFFINCK (Kingdom of the Netherlands) thought that the outcome of the bilateral discussions had not been satisfactory and that the Committee should record the seriousness of the matter and note that some action would be desirable as soon as possible.

The Committee approved the following recommendation and decision:

"The Inter-Sessional Committee, having heard the complaint raised by the Danish delegation and supported by the delegations of the Netherlands, Belgium, Germany and Sweden, concerning the export of subsidized eggs from the United Kingdom, and taking into consideration the view of these governments that the continuation of these exports would be a matter of serious concern recommends:

- (1) that the discussions with the United Kingdom Government pursuant to Article XVI should be continued;

- (ii) that the United Kingdom delegation should report to their Government the views expressed at this meeting together with the Committee's recommendation that these views be taken fully into account in the determination of future policy;

and decide to appoint a panel to examine this complaint if at any time it is reported to the Executive Secretary that the discussions with the United Kingdom Government have not led to a satisfactory settlement of the matter."

Miss SEAMAN (United Kingdom) said that her Government was keeping the matter under continuous and close consideration, and if at any stage it considered that United Kingdom exports were causing serious prejudice, it would consider immediately what remedial action could be taken.

Mr. CHRISTENSEN (Denmark) thanked those delegations which had supported his Government's opinion, and expressed his appreciation for the co-operation shown by the United Kingdom delegation. He hoped that bilateral discussions would yield satisfactory results very soon and that, if that were not so, the United Kingdom Government would be prepared to accept the findings of the panel.

The CHAIRMAN proposed that the panel should have the following membership:

<u>Chairman:</u>	Mr. L.D. Wilgress (Canada)
<u>Members:</u>	Mr. Cozzi (Italy)
	Mr. Ortiz (Dominican Republic)
	Mr. Swaminathan (India)
	Mr. Cuhruk (Turkey)

The Committee approved the Chairman's proposal.