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# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

IC/W/66  
16 October 1957

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Intersessional Committee

DRAFT

REPORT OF THE INTERSESSIONAL COMMITTEE

Report submitted to the CONTRACTING PARTIES on the  
Work of the Committee between the Eleventh and Twelfth Sessions

The Committee has met on six occasions since the Eleventh Session: on 15 January (IC/SR.29), from 24 to 27 April (IC/SR.30 and 31), 28 June (IC/SR.32), 6 August (IC/SR.33), from 19 to 23 September (IC/SR.34) and on 16 October (the record of which will appear in IC/SR.35). This report reviews the work and notes the recommendations of the Committee.

I. Questions referred to the  
Committee by the CONTRACTING PARTIES

At the Eleventh Session the CONTRACTING PARTIES expressly referred several questions to the Committee for consideration prior to the Twelfth Session. These were dealt with by the Committee at its April and September meetings as follows:

(a) Treaty establishing the European Economic Community

The CONTRACTING PARTIES had instructed the Committee to follow developments in connexion with the plans of the Governments of Belgium, the Netherlands, Luxemburg, France, Germany and Italy for the establishment of a common market, and to report to the Twelfth Session. The Treaty establishing a European Community was signed by the six governments on 25 March 1957 and was submitted to the CONTRACTING PARTIES for consideration in accordance with paragraph 7(a) of Article XXIV (L/626).

A meeting of the Committee was convened in April (IC/SR.30) for the purpose of considering the procedures to be followed by the CONTRACTING PARTIES in their examination of the Treaty. Ten other contracting parties were co-opted as full members of the Committee for this meeting and many members availed themselves of the opportunity provided at the meeting to indicate the problems which they considered were likely to arise when the definitive discussions of the CONTRACTING PARTIES took place. The Committee considered that further preparatory work would be necessary to facilitate the effective examination of the Treaty by the CONTRACTING PARTIES and invited contracting parties to submit questions concerning

the provisions of the Treaty and its implementation. These questions were consolidated and transmitted to the Interim Committee for the Common Market. The replies were distributed in L/656. In addition the Interim Committee submitted a memorandum on the important aspects of the Treaty in relation to the provisions of the General Agreement (L/637).

At the September meeting the Committee further considered the procedures to be adopted for consideration of the Treaty by the CONTRACTING PARTIES at the Twelfth Session. The Committee, in a separate report to the CONTRACTING PARTIES (L/696) has enumerated some of the issues involved, furnished references to relevant documents and has made practical suggestions as to the procedural arrangements that might be followed by the CONTRACTING PARTIES.

(b) European Free-Trade Area

Parallel to developments in (a) above, the Committee was also instructed to follow the evolution of proposed negotiations for a free-trade area associating the other members of the OEEC with the European Economic Community. At the April meeting the Deputy Secretary-General of the OEEC informed the Committee that on 13 February 1957 the Council of Ministers of the OEEC had decided to undertake negotiations for a free-trade area and for this purpose three working parties had been set up; negotiations at that time were proceeding in Paris. The Committee at the September meeting took note of the fact that it was expected that a progress report would be made at the session by a representative of the OEEC.

(c) Meeting of Trade Ministers

At the Eleventh Session it was agreed in principle that it would be advantageous if Trade Ministers were to attend sessions of the CONTRACTING PARTIES and the Committee was instructed to arrange for such a meeting at the Twelfth Session and to make recommendations for an agenda. At its meeting in August the Committee considered it would be desirable to ascertain the intentions of contracting parties as regards participation and they were requested to transmit their views on this point to the secretariat. At the September meeting the Committee considered the replies received and decided that a meeting of Ministers would be held during the week commencing 28 October.

The Committee recommends the following agenda for the meeting:

- (i) Progress in the Expansion of International Trade  
(Reference International Trade, 1956)
- (ii) Prospects for achieving further Progress in the Expansion of Trade through International Co-operation, particularly through GATT.
- (iii) Consideration of the Principal Items on the Twelfth Session Agenda, such as the European Common Market, Trends in Commodity Trade and Machinery for International Trade Co-operation.

(d) Restrictive Business Practices

At the Eleventh Session, proposals submitted by the Governments of Norway (L/568) and Germany (L/551) relating to the question of restrictive business practices were referred to the Committee for examination and report. In July 1957 the Norwegian Government submitted a new proposal (L/653), including a draft agreement to supplement the GATT.

When the Committee considered this question at its meeting in September, the representative of Norway proposed that the CONTRACTING PARTIES at their Twelfth Session should establish a working party to carry out a comprehensive study of these problems and with instructions to submit recommendations to the CONTRACTING PARTIES as a basis for further work. He suggested that the working party should be left sufficient time to perform its task and that it would not be possible in any event for the CONTRACTING PARTIES to take up the question for general discussion before the Thirteenth Session. The Norwegian proposal was supported by several members of the Committee. The representative of Germany, on the other hand, suggested that the new Norwegian proposal, together with the document submitted by his Government in 1956, should be left over for consideration by the CONTRACTING PARTIES at their Thirteenth Session, so that the question of restrictive business practices could be examined in the narrower context of European integration before it is taken up by the CONTRACTING PARTIES in the broader GATT context. Other representatives thought the Committee should not make any recommendation to the CONTRACTING PARTIES regarding the establishment of a working party at the Twelfth Session, but that this should be left as a matter for consideration by the CONTRACTING PARTIES at the Twelfth Session.

(e) French Special Temporary Compensation Tax on Imports

In accordance with the Decision of 16 November 1956, the French Government submitted a report to the Committee at its September meeting (L/671) on developments in this matter. The Committee noted that the compensation tax had been eliminated and replaced by a uniform levy of 20 per cent on certain imports and accordingly recommended to the CONTRACTING PARTIES that they consider this matter as settled.

(f) Greek Increase of Bound Duty

The German complaint examined at the Eleventh Session and the report of the customs experts were referred to the Committee for consideration (L/575 and L/580). At the April meeting the Committee instructed the Executive Secretary to obtain from the Customs Co-operation Council in Brussels an advisory opinion on the question of the customs classification involved in this complaint. A reply is awaited. At the September meeting, however, the Committee agreed to a request by the Greek Government that consideration of this item be deferred to the Twelfth Session.

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**(g) Application of Article XXXV to Japan**

The Committee noted that the Government of Brazil had withdrawn its reservation under Article XXXV and that the Government of Australia had concluded a trade agreement with Japan which provided inter alia for the exchange of most-favoured-nation treatment. The representative of Japan stated to the Committee that his Government continued to attach great importance to this item and desired that it be fully discussed at the Twelfth Session.

**(h) Franco-Tunisian Customs Union**

At the Eleventh Session the CONTRACTING PARTIES 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, the Committee agreed that it would be advantageous to defer consideration of this question to the Twelfth Session.

**(i) Plans for building an Extension to "Le Bocage"**

At the Eleventh Session the CONTRACTING PARTIES approved in principle the project of adding a wing to the secretariat building and 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 (L/586 para.23). At the April meeting the Deputy Executive Secretary gave details of the finalized plans and financing arrangements, and the Committee gave its approval to the project.

**II. Modifications of Import Restrictions**

Communications from the governments of the following countries informed contracting parties of the introduction of certain modifications to their import restrictions, effective as from the dates indicated:

1. Finland on 13 December 1956 (L/614 and Add.1)
2. France on 17 June 1957 (L/643)
3. India on 1 July 1957 (L/648)

In each case the Chairman of the CONTRACTING PARTIES and the Executive Secretary reported that the new measures appeared to constitute a substantial intensification within the meaning of paragraph 4 (b) of Article XII and, pursuant to paragraph 9 of the Intersessional Procedures, determined that there was a prima facie case for the initiation of consultations under that provision. In accordance with paragraph 8 of the Intersessional Procedures, the Committee examined the new measures introduced by Finland, France and India at its meetings in April, June and August respectively.

The Committee considered in each case that these modifications constituted a substantial intensification of the import restrictions maintained under Article XII and decided to invite the contracting party concerned to enter into consultations with the CONTRACTING PARTIES in accordance with the second part of the first sentence of Article XII:4(b). Finland was invited to consult in October at the same time as its consultations under Article XII:4(b) under the general programme of 1957 consultations. In the case of France the Committee established a Working Party to conduct the consultations. The Working Party met on 16 and 17 July and an Interim Report was circulated in L/657. These consultations will be resumed in October. The Committee initiated the consultations with India which will be concluded in October under the general programme of 1957 consultations.

### III. United Kingdom Exports of Subsidized Eggs and Cattle

At the April meeting the Committee examined a complaint by the Government of Denmark concerning the situation that had arisen as a result of United Kingdom policy of subsidizing domestic egg production. In a memorandum to contracting parties (L/627) the Danish Government pointed out that the policy 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 which were being exported to European markets. 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. The Danish Government requested therefore that discussions be initiated with the CONTRACTING PARTIES in accordance with Article XVI with a view to limiting the effects of the subsidization.

The complaint was supported by the representatives of Belgium, Germany, the Netherlands and Sweden, and the Committee, taking into consideration the view of these governments that the continuation of these exports would be a matter of serious concern, recommended:

- (i) 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 the meeting together with the Committee's recommendation that these views be taken fully into account in the determination of future policy;

and appointed a panel to examine this complaint if at any time it should be reported to the Executive Secretary that the discussions with the United Kingdom Government had not led to a satisfactory settlement of the matter.

The Danish representative informed the Committee at its meeting in September that further discussions had been held with the United Kingdom authorities and that his government was satisfied with the measures taken to prevent further exports of subsidized eggs. The United Kingdom representative gave details of the measures (IC/SR.34) and the representatives of Belgium and Sweden expressed their satisfaction at the result of the negotiations. The Committee thereupon agreed that the complaint could be recorded as settled and that the item be withdrawn from the agenda.

#### IV. Requests for Renegotiation

The meetings of the Committee in January and June were convened expressly for the purpose of considering requests by the Governments of Canada and Australia respectively for authority to renegotiate an item in their Schedules. Under the Declaration of 10 March 1955 on the Continued Application of Schedules, most contracting parties have undertaken not to invoke the provisions of Article XXVIII for the modification of concessions prior to 1 January 1958, but under paragraph 2 (a) of the Declaration a signatory may plead "special circumstances" in the sense of paragraph 4 of Article XXVIII (Revised) in seeking authority to renegotiate, under the procedures of that paragraph, particular items in its schedule. The Intersessional Committee, under its terms of reference, is instructed to consider applications for special authority to enter into negotiations that may be received when the CONTRACTING PARTIES are not in session and has the power to grant the authority if it considers that the circumstances justify such action.

In the case of both applications the Committee found that special circumstances existed in the sense of Article XXVIII:4(Revised) and accordingly authority was granted to Canada to renegotiate the item "potatoes in their natural state" and to Australia to renegotiate the item "slide fastener tape".

#### V. Continued Application of Schedules - Expiry of Declaration of 10 March 1955

The Committee, at the April meeting, considered the situation with respect to the continued application of the Schedules annexed to the Agreement when the Declaration of 10 March 1955 expires on 31 December 1957. On the entry into force of the Protocol amending the Preamble and Parts II and III, which includes the revised Article XXVIII, the validity of the Schedules of each contracting party which is a signatory to the Protocol will be extended for concessions negotiated with other signatories. However, for concessions negotiated by or with contracting parties which have not signed the Protocol the period of firm validity would come to an end on 31 December 1957. The Committee decided therefore to recommend to the CONTRACTING PARTIES that a new declaration be drawn up at the Twelfth Session and be opened for signature by all contracting parties or, if by that date the above mentioned Protocol has entered into force, by contracting parties who have not accepted it. The Committee accordingly instructed the Executive Secretary to submit a draft declaration for approval at the Twelfth Session.

In order to afford contracting parties wishing to modify or withdraw particular concessions in their Schedules on 1 January 1958, an opportunity to renegotiate such concessions before accepting a new prolongation of the assured life of their Schedules as from that date a draft decision (L/641) providing for tariff negotiations to commence in Geneva on 1 October 1957, was prepared. This was approved by the representatives of twenty contracting parties on behalf of their governments, and thus became a decision of the CONTRACTING PARTIES.

VI. Provisional Agenda for the Twelfth Session

The purpose of the September meeting of the Committee was, inter alia, to consider what matters were likely to arise at the Twelfth Session and examine the adequacy of the documentation available and to undertake any preparatory work so as to facilitate the discussions. Other than the items specifically referred to the Committee, dealt with above, the decisions of the Committee in its review of the items on the Provisional Agenda included the following:

(a) Election of Officers

Under Rule 10 of the Rules of Procedure as amended at the Eleventh Session, the Chairman and Vice-Chairman are to be elected not later than seven days after the opening of the session. The Committee recommends that a meeting of Heads of delegations be held on the second day of the session to consider this question.

(b) Disposal of Commodity Surpluses

With a view to facilitating discussion on this subject by the provision of further factual information the Committee instructed the secretariat, in consultation with the countries concerned, to prepare supplementary data bringing up to date that contained in International Trade 1956.

(c) Accession of Switzerland

The Committee took note of a statement by the observer for Switzerland that his Government was now prepared to enter into tariff negotiations in accordance with the procedures agreed upon at the Eleventh Session and that copies of the new customs tariff would be made available in the near future.

(d) Financial Statement and Budget

As empowered to do under the revised rules of procedure agreed at the Eleventh Session, the Committee set up a Budget Working Party which commenced its work on 7 October. The membership and terms of reference of the Working Party are set out in IC/SR.34.

(e) Request by Ceylon for Releases under Article XVIII

In order to conform with a request from the Government of Ceylon that this item be expeditiously dealt with, the Committee recommends that the Panel technique be employed and that this Panel be established by the CONTRACTING PARTIES early in the session.

(f) Trade and Customs Regulations and Anti-dumping Duties

The Committee noted that contracting parties which are parties to the Agreement on Importation of Educational, Cultural and Scientific Material have been invited by UNESCO to send customs experts to a meeting in Geneva from 21-30 October, and therefore agreed to recommend that the items on the Twelfth Session Agenda dealing with trade and customs regulations should not be taken up earlier than 31 October.

(g) Status of Agreement and Protocols

The Committee noted that the Protocol amending the Preamble and Parts II and III of the Agreement needed only two more signatures to enter into force. Further it was recognized that the CONTRACTING PARTIES would have to consider at the Twelfth Session the extension of the closing date of 31 October 1957 for signature of this and other Amendment Protocols.

(h) Brazilian Tariff

The representative of Brazil reported to the Committee that the new Brazilian Tariff Law had been approved on 14 August 1957, and had entered into force immediately; his Government was prepared to enter into negotiations, pursuant to the Decision of 16 November 1956, and would like the negotiations to begin about 15 November 1957. The Committee proposed that the Brazilian Tariff Negotiations Committee should meet on 7 October to consider this proposal.

VII. Arrangements for the Twelfth Session

Order of Business

With respect to the order of business the Committee recommends that the CONTRACTING PARTIES take up the following items in plenary discussion and, where necessary, for the establishment of working parties on the days indicated.

[Proposals will be submitted to the Committee on 16 October]