

GENERAL AGREEMENT ON TARIFFS AND TRADE

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SUMMARY RECORD OF THE SIXTH MEETING

Held at the Palais des Nations, Geneva,
on Friday, 19 May at 10 a.m.

Chairman: Mr. W.P.H. van OORSCHOT (Netherlands)

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1. European Economic Community - Treaty of Rome and the associated overseas territories

The CHAIRMAN said that this item had been included in the agenda at the request of Nigeria.

Mr. DARAMOLA (Nigeria) said his delegation wished to place on record that, after eight months of negotiations under Article XXIV:6, it had reached no agreement whatever with the EEC as regards any of the items in respect of which Nigeria

was, in terms of Article XXVIII:1, a contracting party primarily concerned. This absence of result raised far more fundamental issues than mere tariff adjustments; it involved the question of relations between the highly-industrialized and the less-developed countries, the effectiveness of the GATT and the enforcement of its rules, the genuineness of the protestations of interest for the less-developed countries, the dangers of perpetuating divisions in Africa and so on.

Mr. Daramola said that the EEC's main explanation of their inability to meet Nigeria's wishes was that to do so would upset the preferences accorded to the associated overseas territories. He pointed out that Nigeria had never accepted the validity in GATT of the extension by the EEC to the associated overseas territories en bloc of the preferences granted by the Member States of the EEC to their former dependencies. It was vital, however, in the interest of friendly co-operation among African States, that Nigeria's attitude in this matter should be clearly understood. Mr. Daramola said that Nigeria welcomed assistance to the associated overseas territories but it believed that such assistance could be given through other measures without doing harm to the interests of non-associated countries; in fact, Nigeria felt sure that the associated countries themselves would be the first to agree that assistance to them should not damage the economic interests of other African States. Nigeria would have been satisfied if the EEC had given some recognition that this extension of preferences should attract compensation by way of reductions in the Community's proposed external tariffs; unfortunately, this had not been the case.

Mr. Daramola went on to recall that the CONTRACTING PARTIES, at their twelfth and thirteenth sessions, had decided to set aside, for the time being, the legal issues raised by the Treaty of Rome and to concentrate on practical and specific problems. This approach, in the case of Nigeria and some other less-developed countries, particularly in the field of tropical agricultural products, had been completely unsuccessful. Nigeria wished the CONTRACTING PARTIES to take note of this unsatisfactory position and to consider what further steps should be taken. Mr. Daramola said his delegation held the view that the legal issues could now usefully be pursued. However, the EEC representative, at the last meeting of the Tariff Negotiations Committee on the Article XXIV:6 negotiations, had stated that the Community would explore the possibility of resolving outstanding problems during the Dillon round. While, in view of its experience so far, Nigeria received this statement with some scepticism, it was prepared to see what progress was in fact made in the course of the Dillon negotiations, although it would be optimistic to expect that these negotiations would solve all the problems posed for third countries by the association of the overseas territories with the EEC. It seemed clear, therefore, that the CONTRACTING PARTIES would have at some time to consider the legal issues in the context of Article XXIV:5(b) or Article XXIV:9, having regard in particular to the observation made by a number of contracting parties during the present session that the EEC was bound to set a precedent for similar regional groupings. It was not too early to be giving thought to the question of timing and machinery for such an examination.

Mr. DARKO-SARKWA (Ghana) said he wished to make his Government's attitude on this question clear for the benefit of the observers of the nine African countries present at the session.

Mr. Darko-Sarkwa first outlined the background to the problem. He referred to the consultations under Article XXII which certain contracting parties had had with the EEC as a consequence of the association of the overseas territories with the EEC; the results of these consultations were contained in document L/805 and addenda. In the view of his Government, Mr. Darko-Sarkwa said, the Member States of the EEC did not give, during the consultations, adequate or sympathetic consideration to the representations of countries whose trade would be adversely affected by the implementation of the new preferential treatment to be accorded to associated overseas territories in the markets of Holland, Western Germany, Luxemburg and Italy. The attitude of the EEC had been that "one should not cross one's bridges until one gets to them". This kind of reasoning was illogical; countries likely to be adversely affected naturally complained to the competent legal authority and wanted that authority to take action before damage was done. The situation indicated certain weaknesses within the GATT, Mr. Darko-Sarkwa continued. The so-called practical solutions were not necessarily equitable; they favoured the powerful nations and worked to the disadvantage of smaller nations like Ghana. For this reason his Government, which did not accept that the association of the overseas territories with the EEC constituted a free-trade area as envisaged in Article XXIV, held the view that the consideration of the legal issues involved in this association should not be regarded as closed.

Mr. Darko-Sarkwa said he was instructed by his Government to point out to his colleagues representing the newly-independent States in Africa that Ghana was not opposed to any system which would grant them duty-free entry of goods into Europe; his Government was, however, opposed to the extension of preferential treatment which legally had no basis under the GATT and where compensation was not given. Ghana was of the opinion that the arrangements envisaged in the Rome Treaty would surely perpetrate the historical division of Africa and would not in the long-run be in the interests of Africans. Moreover, this system, with its free entry for tropical raw materials of certain African countries, would hamper the industrialization process of the African countries concerned.

Mr. Darko-Sarkwa then referred to the situation which had arisen during the negotiations in the first phase of the current Tariff Conference. He observed that his Government had entered these negotiations in good faith and with the understanding that equitable solutions would be achieved. His Government had notified the EEC sometime in September of its intention to negotiate under the terms of Article XXIV:6 on those items in which Ghana had a principal supplying interest in the markets of the Member States; the EEC had agreed that Ghana had negotiating rights in these products and entered into negotiations. In due course, however, just before the meeting of the EEC Council of Ministers to decide on the final offers to be given to negotiating countries, the EEC had declared that his Government did not, after all, have

any negotiating rights as Ghana had acceded to the GATT under Article XXVI. This untenable situation had been resolved in Ghana's favour only after the final offers of the EEC had been decided upon and announced. Mr. Darko-Sarkwa said his Government considered this negotiating manoeuvre as clear proof of the intention of the EEC not to come to grips with the problem and to seek equitable solutions. During the discussions, he continued, even though the EEC agreed that in some products their offer was inadequate, they still maintained that any problems with regard to those products were political and that it was difficult for them to accede to Ghana's requests. Some other extraneous reasoning was brought into the discussions and his Government was convinced that, so long as these reasons were maintained, it should not hope for any equitable solutions from any of the forthcoming negotiations. Ghana would not allow itself to be deceived by statements calculated to soften its endeavours to gain equitable solutions, only to find, in the end, that it was too late to seek mitigation.

As regards the second phase of the tariff negotiations, Mr. Darko-Sarkwa continued, it was said that concessions could be expected without regard to strict reciprocity. If really the EEC could do this, why was it not done under the Article XXIV:6 negotiations? Why did Ghana not even get meagre offers to indicate the good faith of the EEC in this respect? There was the much publicized 20 per cent linear reduction which the EEC promised to give. Would that reduction affect agricultural products? He did not think it would, but perhaps it would be applied to tropical agricultural products. He would hope to get confirmation of this from the delegate of the EEC. He would like to point out, however, that that kind of a reduction, even if applied to tropical agricultural products, would not solve Ghana's problems which basically concerned the extension of preferences.

Mr. VALLADAO (Brazil) said that, while the representatives of Nigeria and Ghana had anticipated the comments he had intended to make, he wished to stress certain points. He pointed out that, following the early consideration of the Rome Treaty by the CONTRACTING PARTIES, the legal issues had been put aside. Tariff negotiations with the EEC were being undertaken. Unfortunately, on the one hand, the problems involved had not been examined in the light of paragraphs 5(b) and 9 of Article XXIV while, on the other hand, the EEC had not attempted during the Article XXIV:6 negotiations to overcome the difficulties which the association of the overseas territories involved for other contracting parties. It was to be hoped that, during the Dillon round, the EEC would endeavour to rectify the damage which this association might have caused for countries like Brazil. Like other delegations, the Brazilian delegation believed the time had now come to embark upon a consideration of the legal aspect of the problem. This examination could be initiated at the next meeting of the Council so that, by the end of the year, there would be a decision by the CONTRACTING PARTIES on the subject.

Mr. SWAMINATHAN (India) wished to add the voice of his delegation to the apprehensions already expressed by the representatives of Nigeria, Ghana and Brazil. Although, at the twelfth session, most contracting parties held the

view that the arrangements between the EEC and the overseas territories did not constitute a real customs union or free trade area and were not compatible with Article XXIV, it was agreed to put aside the legal issues and to consult on damage to trade suffered by other contracting parties. Such consultations had been held; these had been unfruitful, however, because of the insistence of the EEC that actual damage must be proved. During the last few sessions, Mr. Swaminathan continued, contracting parties had not pressed too hard on this issue in anticipation of the negotiations under Article XXIV:6 and the Dillon negotiations, as a result of which, it was hoped, the discrimination in favour of the associated overseas territories would have ceased to have practical implication. So far this hope and expectation had not materialized and the misgivings which existed were fully justified.

The present situation showed, Mr. Swaminathan concluded, the need for the EEC to make a major effort during the Dillon round, so that the advantages given to the associated overseas territories were not achieved through a disruption of trade relations with the rest of the under-developed world. If no relief was forthcoming during the Dillon round, the less-developed countries would have to seek consultations and other redress through the provisions of the General Agreement. Further, the effectiveness of the GATT as an instrument for protecting the interests of its weaker members might be brought into question.

Mr. WARREN (Canada) said that, while Canada's trade interest in this question was relatively not as great as was the case for a number of other contracting parties, he had to say that discussion in the GATT over the previous two years had forcibly brought home the concerns felt by a number of less-developed countries as a result of the association of the overseas territories with the EEC. The problem had now been sufficiently identified and should be given very careful thought by those countries in a position to contribute to a solution of the difficulties that arose.

Mr. RIZA (Pakistan) said that the association of the overseas territories with the Common Market would reduce demand from abroad for certain commodities, thereby reducing the size of the world free market for these commodities. It was likely that the Common Market would adversely affect supply and demand relationships, since experience since the war had shown that relatively small differences in supply and demand could cause wide fluctuations in free market prices of many commodities produced by the associated overseas territories and by other less developed countries. As pointed out in 1958 by the Working Party which considered this question, the territories likely to be affected were not confined to the African continent. Ceylon, India, Indonesia, Malaya and Pakistan, for example, also had serious cause for concern. In 1959-60, inter alia 34 per cent of Pakistan's export trade in jute, 28 per cent in raw skins, 9 per cent in raw cotton, 62 per cent in oil cakes and 10 per cent in cotton waste, had been directed to the EEC countries; during the same period the EEC countries accounted for 25 per cent of the total export trade of Pakistan. The problem was one of major interest to his Government; in its view the preferential association of the

overseas territories under the Treaty of Rome considerably reduced the value of the 20 per cent linear reduction offered by the EEC.

Mr. PRIESTER (Dominican Republic) having stressed the concern felt in his country concerning the association of the overseas territories with the EEC, pointed out that the practical outcome of the earlier consultations under Article XXII with the EEC had been very disappointing; the consultations had, in fact, been a failure. Nothing had been done to mitigate the situation in the case of sugar, for example. While the legal aspects of the problem had been put aside, in order to seek practical solutions, nothing had happened during the recent Article XXIV:6 negotiations with the EEC to dispel the apprehensions of the less-developed countries faced with an extension of preferential treatment in favour of the associated territories. It should be remembered that the development of exports to the EEC, as well as the present level of exports, was important from the point of view of the Dominican Republic; the trade in bananas was an important example of this.

Continuing, Mr. Priester said he had doubts whether there would be advantage in pursuing the legal issues, as had been suggested by the representative of Nigeria. The situation would be different if the same sort of protection and provision for arbitration or appeal as foreseen in the Havana Charter were available. While some such provision could be made in any future revision of the GATT, from the practical point of view thought had to be given to what could be done under the GATT as it stood with regard to the association of the overseas territories with the EEC. Something would have to be done if certain contracting parties were to continue to look upon the GATT with the same enthusiasm as hitherto.

Mr. HADRABA (United States) said that his delegation was certain that the views expressed during the discussion would be given careful consideration by governments. It was vitally important to develop mutually satisfactory solutions to the trade problems that were involved in this situation.

Mr. TENNEKOON (Ceylon) endorsed the view expressed that the question of the association of the overseas territories with the EEC was a world-wide problem; it was not an African problem alone. Ceylon itself was intimately concerned with the problems involved and would reaffirm its opinion that the present arrangements between the EEC and the overseas territories did not constitute a free trade area in the sense of Article XXIV. It was to be hoped, therefore, that these considerations would be taken into account when there were discussions on continuing the arrangements between the EEC and the overseas territories after the expiry of the existing Implementing Convention.

Continuing, Mr. Tennekoon stressed that countries like Ceylon were not trying to promote their own economic development at the expense of the newly-independent countries, but it was Ceylon's view that other measures could reasonably be used which would not damage the interests of third countries. Under the GATT programme for technical assistance to the newly-independent countries, consideration might be given to the use of measures

of commercial policy other than preferences. Mr. Tennekoon asked whether it would not be useful if contracting parties could have some indication of the thinking of the EEC and of the overseas territories on their future arrangements. This could possibly be done in the Council or by an extension of the terms of reference of Committee III; such a procedure would be mutually beneficial. As regards the suggestion of the Indian representative that action should be deferred until the Dillon round was completed, Mr. Tennekoon pointed out that, by that time, certain measures might already have been taken. He would, therefore, strongly recommend that some method of continuous consultation between the EEC and the GATT should be devised.

Mr. LACARTE (Uruguay) said that, while Uruguay's commercial interest in this matter was not very great at present, his delegation attached importance to the question of principle which arose in connexion with the association of the overseas territories with the EEC. Uruguay sympathized with the concerns expressed by contracting parties and felt that the CONTRACTING PARTIES would have to give the question the attention it deserved. There were, no doubt, many factors which the EEC had to take into account in this context, but it was nevertheless to be hoped that the Community would work towards the solution of problems which were of such concern to many contracting parties.

Sir Edgar COHEN (United Kingdom) associated his delegation with the strong appeals made to the EEC to do everything within their power to take account of the apprehensions expressed by the less-developed countries in the GATT in regard to the special arrangements which the EEC had made with the associated overseas territories and which were shortly to be reviewed. The concern which had been expressed stemmed, not only from the nature of the arrangements themselves, but also because of the commercial importance of the EEC. The extension of preferences in favour of the associated overseas territories to cover all the constituent countries of the EEC could obviously have a tremendous impact on the pattern of trade. Sir Edgar Cohen said he felt confident that the EEC recognized that its policies were bound to have a great importance and interest for all the less-developed countries.

Continuing, Sir Edgar Cohen pointed out that a large part of the difficulties of the less-developed countries was, however, due to the fact that the markets of the world were all, in some way or another, inhibited or protected; all attention should not be focussed on the EEC therefore. Countries with special responsibilities towards overseas territories were often driven to various measures in the preferential field in order to secure the special interests of the territories for which they were responsible. It was, therefore, important that, particularly during the Dillon round of negotiations, all contracting parties should do everything possible to alleviate the situation in world markets. In this connexion, the comments in the Harberler report regarding the need for an increased demand for raw materials from the world as a whole continued to be cogant.

Mr. PHILLIPS (Australia) said that the attitude of his delegation to this question was already well known to the CONTRACTING PARTIES. Australia's direct trade interest was not yet significant, but his Government sympathized with the views which had been expressed by various contracting parties. An anomalous situation would seem to have arisen where the CONTRACTING PARTIES,

on the one hand, were attempting to find ways and means to reduce barriers to trade while, on the other hand, a new barrier had emerged in the form of the association of the overseas territories. His Government was confident, however, that the EEC would face up to the challenge which this problem presented.

Mr. OLDINI (Chile) said that the position of his Government on this question was well known. Although Chile was not directly affected by the association of the overseas territories, both the legal and practical aspects of the question were nevertheless of concern to his Government. He felt however that, following the tradition of GATT, there would be the possibility of a new approach or a compromise solution to the problems involved.

Mr. HIJZEN (Commission of the EEC), in reference to the comments that had been made on the legal aspects of the question, said that the EEC's views remained the same as set out in the report (L/805 and addenda) on the Article XXII consultations between the EEC and a number of contracting parties; the representative of Ghana had referred to this report. However, if the CONTRACTING PARTIES wished to revert to a discussion of the legal issues, the EEC would have no objection.

Turning to the Article XXIV:6 negotiations, Mr. Hijzen said, in reference to a comment of the representative of Ghana, that the EEC's attitude towards other countries in the negotiations had not been influenced by any political consideration; it had been guided only by the rules of GATT. The reason why the negotiations with Ghana and Nigeria had not proceeded further was that the demands of these countries had gone well beyond the requirements of Article XXIV:6. On the question of damage to the trade interests of other countries resulting from the association of the overseas territories, Mr. Hijzen said that, for the past three years, there had been talk of imminent damage. Yet, during the present discussion, no figures to demonstrate this had been put forward. Where was the damage? All he asked for was some proof of damage. The EEC had already produced figures to show that there had been no damage and that, on the contrary, trade between the EEC and third countries continued to increase. Continuing, Mr. Hijzen said that the EEC was ready to consult with any contracting party; such consultations had, in fact, already taken place. It was, however, difficult to take measures against dangers which did not exist. When trade interests were in real danger, the EEC was ready to discuss and study the question. The EEC had done its utmost to show its goodwill.

In conclusion, Mr. Hijzen said the EEC was fully aware that the less-developed countries had problems which must be solved and it had frequently expressed its readiness to collaborate in all efforts to find solutions to these problems. He could not accept, however, that all the difficulties faced by the less-developed countries should be laid at the door of the EEC.

Mr. DARKO-SARKWA (Ghana) recalled that, at the fifteenth session, the representative of the Commission had likewise stated that, since the Rome Treaty had come into effect, trade between the Community and third countries had increased rather than decreased. However, Mr. Darko-Sarkwa pointed out, the Treaty was still in the transitional stage and, in the case of products in which Ghana was particularly interested, the relevant provisions of the Treaty had not yet been implemented. It was the view of his Government that, when the Treaty was in full operation, there would be serious damage to Ghana's trade, particularly in the case of its main export products. In this connexion, Mr. Darko-Sarkwa said, it should be borne in mind that some of these products took four or five years to come to fruition.

Mr. DARAMOLA (Nigeria) agreed with the representative of Ghana that it was fallacious to maintain that, because no damage had been done in the past, the same situation would apply in the future. The Nigerian delegation had been disappointed that the representative of the Commission had not referred to the attitude which the EEC would take in the Dillon negotiations. It would have been reasonable to expect that there would have been some assurance that the EEC intended to meet some of the problems to which reference had been made, particularly by countries exporting tropical agricultural products. It was still the view of the Nigerian delegation that the CONTRACTING PARTIES should bear in mind the question of the legal issues. If no satisfaction was obtained from the Dillon round, the legal approach would be the only course left open to countries like Nigeria.

Mr. RIZA (Pakistan) associated himself with what the representatives of Ghana and Nigeria had said about trade figures over the last few years. In the view of his delegation, it was impossible to believe that the extension of preferences to cover imports into major European countries would not damage the trade of other countries.

Mr. SWAMINATHAN (India) said it should be remembered that the full scheme of tariff reduction between the EEC and the extension of preferences to the associated overseas territories had not yet been completed. Despite this, however, there were already signs that the pattern of trade and commercial connexions were being affected. If the situation was examined closely signs of damage would be seen.

Mr. VALLADAO (Brazil) said that his delegation's concern had not been allayed by the statement of the representative of the Commission. There would have been advantage if, in the course of that statement, the aims and attitude of the EEC during the coming round of Dillon negotiations had been better explained; the representative of the Commission had given no indication of the treatment which the exports of countries whose representatives had spoken during the discussion could expect to receive. Thus there was a situation where the legal issues had not been pursued, while the pragmatic approach had given no result. Mr. Valladao again suggested that this matter should be considered by the Council in September, by which time some of the results of the Dillon negotiations would be known.

Mr. GUEYE (Senegal) said that the essential problem was not preferences but under-development. Having referred to the present relationship of African States with the French Community and the EEC, the British Commonwealth and the EFTA and the establishment by French-speaking African States of the Organisation Africaino-Malgache de cooperation économique, Mr. Gueye recalled the very recent meeting in Monrovia of the heads of certain African governments, some of whose representatives had spoken during the present discussion, to consider the possibility of harmonizing commercial and economic policies. The results of the Monrovia meeting were positive. Therein were to be found hopes of harmonization and, meanwhile, it was possible and logical for African States to continue to enjoy their traditional preferences while awaiting the unification of Europe on the one hand and of Africa on the other. No country's position was being prejudiced.

Mr. Gueye also pointed out that independence implied being able to trade with whom one wished yet, during the present discussion, there had been complaints on the grounds that traditional channels of trade were being upset. Tradition should not be allowed to oppose the freedom of action which independence implied. The dominating feature today was the struggle against hunger and misery. The countries assembled for the present GATT session should face up to this reality.

The CHAIRMAN said that the discussion had shown that considerable anxiety continued to be felt by a number of contracting parties about the provisions of the Rome Treaty relating to the association of overseas territories. It appeared from the discussion that these anxieties had not been allayed by the series of commodity consultations which were held some time ago. Nor did it appear that the Article XXIV:6 negotiations had yielded results which would contribute to the alleviation of these fears. It could not be judged at the present moment to what extent some of the difficulties could be met in the course of the Dillon negotiations, but clearly the contracting parties most concerned were sceptical of the possibilities of those negotiations.

The Chairman said he did not feel that the CONTRACTING PARTIES could carry this matter any further at the present session, but he did not doubt that the representatives of the members of the EEC would report fully on the present discussions and that the representative of the Commission would be making a similar report. Accordingly, it could be expected that the Member Governments and the competent authorities of the EEC would consider their future policy in regard to these important matters with full knowledge of the concern and anxieties that had been expressed. This, the Chairman considered, was as far as the matter could be carried at present and he proposed that, as had been suggested, the question be retained on the agenda of the CONTRACTING PARTIES for further consideration at an appropriate time either by the Council or by the CONTRACTING PARTIES.

This was agreed.

2. European Free Trade Association/Finland (L/1451)

The CHAIRMAN said that the Member States of the EFTA and Finland had concluded an Agreement creating a free-trade association. The Agreement had been transmitted by the eight governments to the CONTRACTING PARTIES, in pursuance of paragraph 7(a) of Article XXIV. The letter of transmittal, accompanied by copies of the Agreement and also copies of an Agreement between Denmark and Finland on trade in agricultural products, had been conveyed to the contracting parties on 24 April in document L/1451. These Agreements should be examined by the CONTRACTING PARTIES in accordance with paragraph 7 of Article XXIV.

Sir Edgar COHEN (United Kingdom), speaking on behalf of the Member States of EFTA, said that the Agreement between EFTA and Finland meant, in effect, that the provisions of the Stockholm Convention were being extended to include Finland. From the report (L/1235) of the Working Party which they established to consider the Stockholm Convention the CONTRACTING PARTIES should be satisfied that the EFTA was a genuine free-trade area. The Member States were, of course, fully prepared to answer questions about the Agreement with Finland.

Mr. KAILA (Finland), having referred to the statement of the representative of the United Kingdom, said he would like to make some additional comments on this subject. He said it was well known that the Finnish economy was highly dependent on foreign trade, but he would like to stress the point even further. He pointed out that, while Finland lacked a large number of vital raw materials, it did possess vast forest resources capable of supporting an important industry, provided that outlets could be secured for its products. In these circumstances Finland had to foresee an ever-increasing flow of foreign trade, in order to maintain and develop a modern industrialized society. Foreign trade was the lifeline of the country, and determined the standard of living of its citizens as well as their possibilities of making cultural progress. Finland had, therefore, become more and more convinced of the ever-growing importance of the fundamental objectives of GATT, directed towards the expansion of trade on a world-wide basis.

If during the past years tariff negotiations and the elimination of quantitative restrictions had occupied a great deal of attention, Finland had also on its part to face the new trends towards expanding world trade by way of integration. When the CONTRACTING PARTIES met in Tokyo in 1959, Mr. Kaila said, the Finnish Ministerial representative had underlined the attention given by Finland to these new elements in the international economic field. In fact, long before the EFTA came into being, Finland actively engaged in studies and work aimed at the creation of a Nordic common market. Although the scheme for a Nordic customs union was more or less in final form in 1959, it had been, as was known, by-passed by more important events, which ultimately led to the formation of the EFTA. At an early stage it became evident to Finland that it should, in one way or other, engage itself in the project of the seven countries in question. Already in July 1959 the Prime Minister of Finland declared Finland's positive interest in the plans of the Seven.

Continuing, Mr. Kaila said that, as soon as the EFTA came formally into being, Finnish economic interests were seriously involved. He went on to cite some figures, based on 1960 statistics of foreign trade, which showed that one third of Finnish exports went that year to the EFTA countries, 28 per cent to the EEC countries, 20 per cent to the Eastern European countries and 18 per cent to the rest of the world. The picture of import figures showed only a slightly different pattern: EFTA 30 per cent, EEC 34 per cent, Eastern European countries 21 per cent and the others 15 per cent. The structure of Finnish exports was, however, of equal importance. Wood, timber, pulp and paper had traditionally dominated on the export side and their share was still three-fourths of total exports. Since the start of industrialization in Finland the British market had been the biggest buyer of Finnish standard export goods and still occupied the foremost place in this respect. Finland was, for instance, the biggest supplier of sawn timber to the United Kingdom. In the light of the above-mentioned figures, Mr. Kaila said, it was understandable that his Government was looking forward to an association with the Seven in order to secure Finnish exports access under competitive conditions to the EFTA markets.

Reverting to the Agreement itself, Mr. Kaila said that a new free-trade area between Finland and the EFTA had, as the United Kingdom representative had pointed out, therefore been formed in accordance with paragraph 2 of Article 41 of the Stockholm Convention. The general rights and obligations in the commercial and economic fields conformed in the Agreement with the rights and obligations which the EFTA countries had among themselves. With some minor exceptions, due to transitional arrangements and to the necessity of safeguarding the balance of payments, the abolition of barriers to trade, i.e. the reduction of customs duties and the elimination of quantitative restrictions, would take place at the same pace as between the Member States of the EFTA. As the Agreement covered 94 per cent of the trade between Finland and the EFTA countries, there should be no doubt that the Agreement created a free-trade area in the sense of Article XXIV of the GATT and was in harmony with the spirit and objectives of the General Agreement. As was the case with most of the EFTA countries, Finland had made an agreement with Denmark relating to the exchange of agricultural products. Looking towards the future, Mr. Kaila continued, his Government considered that the Agreement with the EFTA would be an important step in developing the economic life of Finland. Even if the Finnish market was of limited size, it was hoped that the Agreement would contribute towards the expansion of free trade. This was the goal and spirit of the Agreement.

Mr. Kaila then said that, in this connexion, he would like to say a few words about the Agreement on tariff questions, the text of which had been distributed, which Finland had made with the Soviet Union in November last year. Finland had long-standing commercial relations with the Soviet Union. The exchange of goods between the two countries included several special aspects, seen from the practical point of view. Thus the Soviet market was of great importance to the Finnish engineering industry, bearing in mind the situation created by war reparation deliveries. Exports to the Soviet Union, corresponding to 14.2 per cent of total Finnish exports in 1960, accordingly consisted to a considerable extent of finished products and the

like. As to Finnish imports from the Soviet Union, they represented, in 1960, 14.7 per cent of total Finnish imports. This trade was concentrated on raw materials, foodstuffs, semi-manufactures and on a limited number of finished products. Such a structure of imports had certain consequences as to customs duties. Raw materials, occupying a central place, by their nature entered Finland duty free almost without exception. Foodstuffs, forming another important item, were in effect excluded from the operation of the Finno-Soviet Agreement. If products, on which revenue duties were imposed, were disregarded it appeared that the share of imports subject to protective duties was extremely modest. Out of total Finnish imports from the Soviet Union in 1959 amounting to \$147 million, only \$9.4 million or 6 per cent of the total were subject to such duties, the yield of which was \$1.2 million. In these circumstances, said Mr. Kaila, his Government did not foresee any significant changes in the competitive position of Finland's other trading partners on the Finnish market. The Finno-Soviet Agreement ought not, therefore, in Finland's opinion, to impair the interests of the contracting parties.

Before terminating his statement, Mr. Kaila reviewed some basic features of the Finnish trade policy. After the post-war reconstruction period the turning point came in 1957 when Finland, in connexion with the devaluation of the markka, free-listed imports on a substantial scale. The necessity for this operation was never questioned, but making it a success demanded heavy sacrifices. Since then the liberalization of foreign trade had been strenuously continued as far as permitted by the balance-of-payments position. The present year had brought the latest important modifications in Finland's import régime. On 1 January 1961 the free list and global quotas were considerably extended so as to cover also imports from the developing countries, from countries of the franc area and from all countries of the sterling and dollar areas. Thus imports from no less than eighty-one countries and fifty-six dependent territories now entered Finland without restrictions. If there were still some restrictions left, the great progress made during the past years justified the hope that it would prove possible to continue to make progress in the further elimination of these barriers to trade. His Government recognized the achievements of the CONTRACTING PARTIES, which had rendered valuable assistance to Finnish efforts towards free trade. It was his Government's firm belief that with the present prospects Finland, by following an outward-looking trade policy, would be able to enlarge her contribution to the important work of the CONTRACTING PARTIES.

Mr. HADRABA (United States) said that, in the United States view, the Agreement creating an association between the Member States of EFTA and Finland was a significant and welcome development. It had the support of the United States Government, which considered it was in harmony with the spirit of the General Agreement and warranted the approval of the CONTRACTING PARTIES. However, in considering this Agreement, it was necessary to bear in mind both the statements made and the action taken by the CONTRACTING PARTIES on the Stockholm Convention. Also, there were certain issues with respect to the EFTA/Finnish arrangement which needed further study and clarification. Mr. Hadraba said he would not go into detail on these points at the present time, but would only note that the United States was seriously concerned

about the bilateral arrangement on agricultural products between Finland and Denmark. His delegation would propose the establishment of a working party to examine the consistency of the Agreement between Finland and EFTA with the provisions of the General Agreement and suggested that the working party should meet inter-sessionally and report to the CONTRACTING PARTIES at the nineteenth session.

Turning to another and separate issue, Mr. Hadraba said that the bilateral Agreement concluded between Finland and the Soviet Union, which the Finnish delegate had just called to the attention of the CONTRACTING PARTIES, posed problems which the United States believed were of the greatest concern to the CONTRACTING PARTIES. The Agreement provided for the elimination by 1970 of Finnish duties on imports from the Soviet Union. However, it did not appear that Finland intended to accord the same treatment to exports from contracting parties other than those Members of the EFTA. The United States delegation believed that this policy, as reflected in the Finno-Soviet Agreement, was in clear and direct contravention of the most fundamental principle in the General Agreement. This most-favoured-nation principle, embodied in Article I, was the very basis of the General Agreement, and any undertaking by a contracting party in violation of its provisions must give rise to the most serious and careful consideration by contracting parties. As the CONTRACTING PARTIES were well aware, Article I specified that any advantages with regard to customs duties and other charges on imports accorded by a contracting party to any other country should be accorded "immediately and unconditionally" to the same products originating in the territories of all other contracting parties. Apart from the allowances for certain previously established preferential arrangements, the only exception to this rule allowed by the General Agreement was in the provisions of Article XXIV regarding the establishment of customs unions and free-trade areas. Justifiably, the most-favoured-nation provision might be called the very cornerstone of the entire General Agreement. Continuing, Mr. Hadraba said it might seem redundant to recall in the GATT forum the importance of the most-favoured-nation clause in the evolution of post-war trade among countries. It was, he was sure, sufficient only to note that, without the strict and conscientious application of this principle over these years, the progress made in reducing barriers to the international flow of goods and services would never have been possible. Looking toward the future, it could be stated that, without the continuing observance of this principle, continued progress toward the common goal of expanded world trade on a multilateral, non-discriminatory basis would be considerably impeded, and the effectiveness of the General Agreement substantially diminished. The Finno-Soviet Agreement, Mr. Hadraba said, represented a significant challenge to the most-favoured-nation principle of the General Agreement. The GATT forum was well aware of the number of exceptions to GATT provisions which the CONTRACTING PARTIES had seen fit to make in the course of the evolution of the Agreement, in the interest of maintaining it as a usefully flexible instrument. In this case, however, there was an action which was so contrary to the most-favoured-nation principle that it was, in fact, a challenge to the integrity of the General Agreement itself. It was not a challenge to be taken lightly, nor one to which the CONTRACTING PARTIES could afford to devote any but their most serious

consideration. Accordingly, Mr. Hadraba said, it seemed to his delegation that this was not a problem which lent itself to the waiver approach. It was because the question affected the very heart of the General Agreement that his delegation believed the reaction of the CONTRACTING PARTIES must be one which was arrived at only after the most careful and detailed consideration. He could not over-emphasize the gravity with which the United States viewed this question. His delegation hoped the Finnish Government would ensure that the trade interests of third countries were not adversely affected by any action taken under the Finno-Soviet Agreement.

Mr. DE BESCHE (Sweden) said he wished to remind the CONTRACTING PARTIES of the great importance that Sweden attached to the Agreement that had been concluded between Finland and the EFTA. The close ties between Sweden and Finland had served as an inspiration to the Swedish Government during the work in connexion with the establishment of a common Nordic market. When Denmark, Norway and Sweden joined the EFTA, plans for a Nordic market had changed, and implied a separation from Finland in the trade field which gave rise to concern in Sweden. It thus became an important goal for the Swedish Government to see achieved the association of Finland with the EFTA. For its part, Finland had at an early stage expressed its interest in EFTA. Mr. de Besche said his Government earnestly hoped that the Agreement between Finland and EFTA would be received by the CONTRACTING PARTIES with the same understanding as they had shown in the case of the Stockholm Convention.

Mr. PHILLIPS (Australia) said there were two questions involved, namely the Agreement between EFTA and Finland and the trade Agreement between Finland and the USSR. As regards the first question, the Australian delegation had little to say at this stage, assuming that the Agreement between EFTA and Finland and the agricultural Agreement between Finland and Denmark would be examined by a Working Party.

Commenting on the second question, Mr. Phillips said that the Agreement between Finland and the USSR was clearly contrary to the fundamental principles of GATT and the most-favoured-nation provisions of Article I. This was obviously a matter of serious concern to the CONTRACTING PARTIES. While the material effects of the trade Agreement on Australia's interests would not be significant, as Australia's trade with Finland was at present negligible, there was, nevertheless, a very important point of principle involved. Some time was needed, however, to consider this problem and his delegation would therefore suggest that the item be included on the agenda for the nineteenth session.

Mr. RYSKA (Czechoslovakia) said that, in the view of his delegation, the association of Finland with the EFTA was a development of considerable importance. Relatively small countries had to make complex and difficult decisions in order to assert their claim to an adequate place in world trade; the emergence of new trading groups was a challenge to Finland's vital economic interests.

In reference to Finland's trade with the USSR, Mr. Ryska said that this trade had certain natural advantages, the USSR had a ready market for, and was a supplier of, important products. The Agreement on tariffs between Finland and the USSR reflected two basic facts. First, the trade between the two countries brought considerable benefits to both sides and was an element of stability; it was logical that they were interested in maintaining this trade and in giving it as long a perspective as possible. Secondly, the new trade groupings had created such abnormal trade conditions that all kinds of schemes had to be devised to avoid a reduction of trade. His Government questioned the logic of those who complained against an exceptional bilateral arrangement of this sort when the new regional groupings themselves constituted the most blatant exception to the most-favoured-nation clause, which was the basic principle of GATT. It was the view of his delegation, Mr. Ryska said, that, if GATT did not provide the necessary protection against the disruptive effects of the new trade groupings, self-defense was legitimate. A realistic attitude would be the best guide-line for the CONTRACTING PARTIES in dealing with this matter.

Mr. DE SMET (Belgium), speaking on behalf of the six Member States of the EEC, said the Member States had followed with interest the negotiations leading to the association of Finland with the EFTA. The documentation, including the text of the Agreement, which had been made available would enable the problems created by this association to be studied in detail. Whatever these problems might be, the fact remained that regional integration was a phenomenon of increasing application in the world. The formation of economic groups indicated the advantages that derived for the development of trade. It was to be hoped that this association, which the members of the EEC viewed sympathetically, would prove beneficial to Finland. Mr. de Smet said he favoured the submission of the Agreement to a working party, so that it could be examined in the light of the provisions of Article XXIV. The working party should also consider the problems arising from the trade Agreement on agricultural products between Finland and Denmark. This Agreement ran contrary to the basic provisions of the General Agreement. The fact that Denmark had signed such an Agreement reduced the value of certain claims made by Denmark in connexion with close adherence to the rules of the General Agreement.

In reference to Finland's trade Agreement with the USSR, Mr. de Smet said that, due to commitments made under the Agreement, Finland found itself in an irregular position vis-à-vis GATT because of its undertaking to accord to the USSR certain advantages that it did not intend to extend to all contracting parties. This disregard of the provisions of Article I of the General Agreement could only cause serious concern as to the effective operation of the GATT. Moreover, in purely commercial terms, the Agreement might cause harm to the legitimate trading interests of contracting parties. In view of the serious implications of this matter, the question should be placed on the agenda of the next session of the CONTRACTING PARTIES.

Mr. WARREN (Canada) said that it was to be hoped that the closer relationship between Finland and the EFTA countries would not only lead to the economic growth of Finland but would also create new trading opportunities for all contracting parties. The Agreement would, of course, need to be carefully examined and his delegation would support the suggestion that a working party be established for this purpose to report to the nineteenth session; Canada would wish to participate in such a working party. Mr. Warren said that certain features of the Agreement required careful consideration, among these were the question of quotas and trade in agricultural products. Further, it would be necessary, of course, in considering whether the arrangements between Finland and the EFTA were consistent with Article XXIV, to take into consideration the agricultural Agreement between Finland and Denmark. Canada would wish this Agreement to be examined very carefully by the working party; it did not feel that there was at the present time any justification for discrimination of the kind embodied in the Agreement.

Turning to the question of the trade Agreement between Finland and the USSR, Mr. Warren said that he would associate his delegation with the expressions of concern already voiced by other representatives. It was evident that Finland did not intend to extend to all contracting parties the tariff advantages it would be extending to the USSR. This obviously constituted a clear violation by Finland of its basic obligations under Article I. This violation was a serious matter, both in itself and from the point of view of establishing a precedent. His delegation agreed that this question should be retained on the agenda for the nineteenth session; in the interim, governments would be able to consider what action the CONTRACTING PARTIES should take. Finland should also take stock of the serious situation that had arisen. At the very least, it would be reasonable to expect that Finland would be prepared to take immediate and effective action to safeguard the contractual rights of contracting parties in its market.

Mr. SWAMINATHAN (India) said his delegation also considered that the Agreement between EFTA and Finland should be carefully examined by a working party. During the course of Committee III's work it had been found that Finland had rather high tariffs on many items. In this context, therefore, the extension of concessions to the other Member States, leading to the final elimination of barriers to trade between them, gave rise to certain problems for other countries.

As regards the trade Agreement between Finland and the USSR, Mr. Swaminathan said that India fully understood the reasons for this. India's trade relations with Finland and the USSR were close and friendly, and significant practical effects on India's trade with Finland were not expected as a result of the Agreement. There was, however, cause for serious concern on the grounds of principle and because of the possibility of establishing a precedent. The General Agreement permitted departure from the most-favoured-nation principle only in the case of a customs union or free-trade area. It was the view of his delegation that, because of the fundamental violation of the GATT rule that was involved, the situation was not one which lent itself to the waiver treatment. He, like other representatives, agreed that governments needed more time to reflect on this problem and that the item should be included on the agenda for the nineteenth session.

Mr. SKAK-NIELSEN (Denmark), in reference to the comments made by representatives on the agricultural Agreement between Denmark and Finland, said he was certain that Finland would be able to give a full and satisfactory explanation to the working party. As regards the remarks made by the Belgian representative, Mr. Skak-Nielsen said he felt that these were lacking in a sense of proportion and, therefore, he did not propose to comment on them.

Sir Edgar COHEN (United Kingdom) associated his delegation with the observations made by other representatives, in particular those of the United States, Canada, Australia and India, on the question of the Agreement between Finland and the USSR. Although the trade effects might be small, the principle involved was of vital importance. Multilateralism was entirely dependent on the maintenance of non-discrimination and the most-favoured-nation treatment; it was essential that the CONTRACTING PARTIES should safeguard and foster this principle. The United Kingdom delegation supported the proposal that the item be retained on the agenda so that it could be studied more carefully.

Mr. RIZA (Pakistan) associated himself with what had been said by other representatives regarding the desirability of referring the Agreement between Finland and EFTA for examination by a working party. He also associated himself with the concern that had been expressed over the seriousness of the situation which arose where concessionary treatment was being given by one contracting party to a non-contracting party, while the other contracting parties who were not members of the EFTA would not get the same treatment. He assumed that this matter would come up again for discussion by the CONTRACTING PARTIES.

Mr. LACARTE (Uruguay) said that the arrangements made between Finland and the EFTA countries, including the agricultural Agreement between Denmark and Finland, would be carefully studied by his Government.

Commenting on the trade Agreement between Finland and the USSR, Mr. Lacarte expressed Uruguay's serious concern about the clear violation of the most-favoured-nation principle which was involved; Finland itself no doubt recognized the seriousness of this matter. His delegation agreed that the question should be included on the agenda for the nineteenth session.

Mr. VALLADAO (Brazil) said he wished to endorse the statement made by the representative of Uruguay.

The CHAIRMAN said that, having heard the statements made by the United Kingdom, speaking in the name of the Member countries of EFTA, and of the representative of Finland, regarding the Agreement of Association creating a free-trade area between these countries and having heard the comments of the other contracting parties, it remained for the CONTRACTING PARTIES to decide upon the procedures for further consideration of this matter. The Agreement was submitted under paragraph 7 of Article XXIV and, as in the case of other arrangements submitted to the CONTRACTING PARTIES in accordance with those provisions, the CONTRACTING PARTIES would wish to subject the arrangement to

a careful scrutiny in the light of the relevant provisions of the General Agreement. The Chairman said that, for this purpose, the best course would seem to be to reconvene the Working Party which examined the Stockholm Convention, since the Association Agreement was along similar lines. He would suggest that the Working Party should, if possible, meet in the interval before the nineteenth session, so as to be able to submit a report to that session.

This was agreed.

Replying to a statement by Mr. Laczowski (Poland), expressing Poland's interest in this matter, the Chairman said that all contracting parties and associated governments would, as usual, have the opportunity to participate as observers in meetings of the Working Party.

The Chairman then proposed the following terms of reference for the Working Party:

"To examine, in the light of the relevant provisions of the General Agreement on Tariffs and Trade, the Agreement of 27 March 1961 creating an Association between the Member States of the European Free Trade Association and the Republic of Finland and to report thereon to the CONTRACTING PARTIES at the nineteenth session."

This was agreed.

The Chairman then said that the representative of Finland, in his statement, had referred to another matter which was not on the agenda, but which the representative of Finland thought it proper to refer to in this context; this, of course, was the Finno/Soviet Trade Agreement. It had been made abundantly clear during the discussion that the conclusion of the Finno/Soviet Agreement, and more particularly the fact that the preferential treatment it provided for would not be extended to contracting parties generally, raised very serious questions to which contracting parties would have to give careful consideration, and to which, they had indicated, they would wish to come back at the nineteenth session. Meanwhile, the Chairman continued, he was sure that the Finnish representatives would have taken note of the expressions of concern voiced in the debate, and particularly of the requests which had been made that the Finnish Government offer assurances that the trade of contracting parties with Finland should not in fact be impaired through the operation of this bilateral agreement. It was also clear that if, in fact, the interests of contracting parties were adversely affected, they could have recourse to the appropriate procedures of the General Agreement in order to seek redress.

3. Turkish Schedule - approval of decision (W.18/7)

The CHAIRMAN recalled that, at an earlier meeting (SR.18/2) the CONTRACTING PARTIES agreed to extend the closing date, in the Decision of 19 November 1960, for the completion of renegotiations of concessions in the Turkish Schedule. The Executive Secretary was requested to prepare the text of a decision for approval and this had now been distributed in W.18/7.

The draft decision in document W.18/7 was adopted by thirty-three votes in favour and one against.

The meeting adjourned at 1 p.m. and reconvened at 2.45 p.m.

4. Status of Protocols - approval of decision (W.18/6)

The CHAIRMAN recalled that, at an earlier meeting (SR.18/1) the CONTRACTING PARTIES decided to extend until the nineteenth session the closing date for acceptance of the Amendment Protocols drawn up at the ninth session. The Executive Secretary was asked to prepare the text of a decision and this had now been distributed in document W.18/6.

The draft decision in document W.18/6 was adopted.

5. Provisional accession of Switzerland

Mr. GARRONE (Italy) said that the Declaration on the Provisional Accession of Switzerland had been signed, but subject to ratification, by his Government. As the draft law of ratification was still under consideration by the Italian Parliament, he requested that the closing date for the acceptance of this Declaration be extended until the nineteenth session.

The interested contracting parties agreed that the Executive Secretary should be authorized to receive acceptances up to the end of the nineteenth session.

5. Schedules - certification of modifications and rectifications

The CHAIRMAN said it had been expected that a decision, to which would be annexed lists of rectifications and modifications of certain schedules, would be ready for adoption at the present session. However, the approval of all the contracting parties concerned had not yet been obtained. In these circumstances, the Executive Secretary would distribute the decision at a later date for approval by postal ballot. This was a procedure envisaged at the seventeenth session; no action was, therefore, required under this item by the CONTRACTING PARTIES at the present session.

7. Canadian request under Article XXVIII:4

Mr. WARREN (Canada) said that his delegation had been instructed to seek authority from the CONTRACTING PARTIES to allow it to initiate renegotiations under paragraph 4 of Article XXVIII. The product in question was sodium hypochloride in solution, classified under Canadian tariff item 219A. Having quoted the description of the tariff item, Mr. Warren said that the rates under the item had been bound to the United States in 1947. It appeared that at that time all brands of the product in question could have been classified under this item. However, as the wording of the tariff provision was not specific, arguments had been advanced on the one hand by potential importers and, on the other hand, by Canadian manufacturers questioning the tariff classification and seeking clarification. Mr. Warren explained that because of the variety of arguments advanced and the conflict of views as to the proper interpretation, it had been decided in 1955 that, before considering whether or not it was a case for renegotiations under Article XXVIII of the GATT, the question of tariff classification should be referred to the Canadian Tariff Board for public hearing and legal decision. Subsequent to the Board's decision, appeals had been lodged and the opinion of other competent legal bodies sought. As a result, the tariff classification of this product had been sub judice since April 1955 and, as long as the matter was before the Courts, the Canadian authorities had not deemed it appropriate to initiate renegotiations for a change in bound rates. In the light of a continuing review with the companies concerned, the Canadian Government had now decided to seek authority from the CONTRACTING PARTIES to renegotiate should it be decided that a higher rate of duty should be provided for. The product in question was imported only from the United States because of its nature and the high transportation costs involved. No official statistics were available on imports, but estimates obtained privately indicated that these had been running at an annual level of between \$60,000 and \$65,000.

Mr. HADRABA (United States) observed that the detailed information provided by the Canadian Government on this item would permit a rapid renegotiation if the CONTRACTING PARTIES agreed to grant the necessary authority to renegotiate.

Mr. DE SMET (Belgium), speaking on behalf of the Member States of the EEC stated that the Member States would be prepared to agree to the Canadian request.

The CONTRACTING PARTIES found that there were "special circumstances" in the sense of paragraph 4 of Article XXVIII and agreed to grant the authority requested by Canada. The Chairman requested that any contracting party which considered that it had a "principal supplying interest" or a "substantial interest", as provided in paragraph 1 of Article XXVIII, should communicate such claim in writing and without delay to the Canadian Government, and at the same time inform the Executive Secretary. Any such claim recognized by the Canadian Government would be deemed to be a determination by the CONTRACTING PARTIES within the terms of paragraph 1 of Article XXVIII.

8. Admission of Sierra Leone as a contracting party (W.18/3)

The CHAIRMAN said that, as would be seen from document W.18/3, the Government of the United Kingdom had advised that Sierra Leone had acquired full autonomy in the conduct of its external commercial relations and of other matters provided for in the General Agreement. Further, the Government of Sierra Leone had advised that it wished to be deemed a contracting party to the GATT in terms of paragraph 5(c) of Article XXVI. To facilitate consideration of this matter, the Executive Secretary had provided in the document referred to a draft declaration which, if adopted by the CONTRACTING PARTIES, would admit Sierra Leone as a contracting party to the GATT.

Sir Edgar COHEN (United Kingdom) said he was privileged to welcome, on behalf of the United Kingdom, Sierra Leone as a contracting party to GATT. His delegation looked forward to welcoming a delegation from Sierra Leone at the nineteenth session.

Mr. DARAMOLA (Nigeria) endorsed the comments of the representative of the United Kingdom. He said that the membership of Sierra Leone would redound to the benefit of GATT.

Mr. VALLADAO (Brazil) welcomed Sierra Leone as a contracting party on behalf of the Latin American countries.

The draft declaration in document W.18/3 was approved.

9. Latin American Free Trade Area - entry into force (L/1485)

The CHAIRMAN said that a statement on the entry into force of the Montevideo Treaty had been distributed in document L/1485 by those contracting parties which were Member States of the Latin American Free Trade Area.

Mr. PEREIRA (Peru), speaking on behalf of the Member States of LAFTA, expressed their satisfaction on the entry into force of the Montevideo Treaty. In Latin America, as in Europe, which had pointed the way with the creation of the EEC and the EFTA, it had been realized for some time that regional integration was imperative for economic progress. This held true both for industrialized and for less-developed areas such as the Latin American continent.

The ratification of the Treaty of Montevideo was a new step forward by the countries which had formed the Latin American Free Trade Area. They hoped to continue to collaborate with other large regional economic groupings in order to solve the problem of imbalances of trade. The entry into force of the Treaty of Montevideo would assist exporters the world over by increasing the effective purchasing power of the Latin American people. It was hoped, Mr. Pereira concluded, that greater economic development within the region would permit the realization of the objectives of GATT by facilitating an increase in international trade through traditional channels.

The CHAIRMAN congratulated the signatories to the Treaty on bringing this project to fruition and expressed the hope that its successful implementation would bring a prosperous future to Latin America.

10. Brazilian Schedule

The CHAIRMAN recalled that the Decision of 19 November 1960 had noted that the Government of Brazil was prepared to carry out negotiations with respect to certain concessions in its GATT Schedule and these would be completed and the results put into effect as soon as possible. The Brazilian Government was requested to submit a report to the CONTRACTING PARTIES at this session in the event that the negotiations should not be completed by 1 May.

Mr. CAMARA (Brazil) reported the progress made under the Decision of 19 November 1960. He said that Brazil had had negotiations with eleven contracting parties. Negotiations with eight of these had been concluded; those with three others should be concluded in the near future. Brazil hoped that the following month would see the completion of all the negotiations.

The CHAIRMAN suggested that it might meet the wishes of contracting parties if the Government of Brazil were asked to submit a further report by 1 September if the remaining negotiations had not been completed by that time.

This was agreed.

11. Programme of future meetings - including nineteenth session and meeting of Ministers (W.18/8)

In connexion with this item, the CHAIRMAN recalled that the representative of New Zealand had informed the Council at its recent meeting (C/M/6) that his Government had recently taken measures intensifying import restrictions maintained for balance-of-payments reasons. The Council had decided, in accordance with procedures adopted by the CONTRACTING PARTIES, that a consultation with New Zealand under Article XII:4(a) should be carried out. The Committee on Balance-of-Payments Restrictions was requested to conduct this consultation and the International Monetary Fund was invited to consult with

the CONTRACTING PARTIES in this connexion. The Chairman explained that, as would be seen in document W.18/8, which contained the Executive Secretary's proposals for the programme of meetings, it would not be possible at the present time to fix a date for the conduct of this consultation. The Balance-of-Payments Committee would be convened for this purpose when a full notification on the intensification of the restrictions had been received and distributed. Therefore, no action needed to be taken by the CONTRACTING PARTIES on this matter.

The Chairman then referred to the Executive Secretary's proposals (W.18/8) for the programme of meetings covering the period June - November 1961.

The EXECUTIVE SECRETARY proposed, in the light of the earlier discussion on this question (SR.18/4) that the opening date of the nineteenth session should be deferred until 13 November, that the session should end on 8 December and that the ministerial meeting should be held from 27-30 November.

The programme of meetings, as finally approved by the CONTRACTING PARTIES, was subsequently distributed in document L/1492.

12. Chairman's closing statement

The CHAIRMAN, at the conclusion of the work of the eighteenth session, first of all thanked the contracting parties for their ready co-operation which had made it possible to reach the end of a lengthy programme in a very short time. Much of the work of the session had been in effect a preparation for the longer and more important session to be held in the autumn. He was sure, the Chairman went on, that all contracting parties would now devote their best efforts to making the nineteenth session and the meeting of Ministers an outstanding success. This would be the best contribution contracting parties could make to the common cause - the expansion of world trade. Much would depend on thorough preparation and on the capacity of delegations to convince people at home that the problems were urgent and called therefore for immediate attention at the highest policy levels of government.

The Chairman declared the eighteenth session closed at 3.50 p.m.