1. Election of Chairman

Mr. S. Chr. SOMMERFELT (Norway) was elected Chairman until the twenty-first session of the CONTRACTING PARTIES.

2. Membership

The Government of Ceylon was co-opted as a member for this meeting.

3. Relationship of less-developed countries to the work of GATT (L/1920)

At the twentieth session the CONTRACTING PARTIES discussed a proposal by the Government of the United States, circulated in document L/1920, to examine "ways and means by which less-developed countries which are not now parties to GATT but consider that the GATT is an appropriate place to deal with trade problems, may contribute and participate in the work of GATT of particular interest to them". The Council was requested to examine this proposal in the light of the discussion at the twentieth session and to submit recommendations.
The representative of the United States said that the proposal which had been put forward by his Government did not envisage the substitution of second-class membership for full accession to GATT. His delegation had in mind some arrangement whereby less-developed countries, which were interested in the GATT and wished to participate in its work, would be able to make their views known and to learn more about the General Agreement, in the hope that sooner or later they would accede fully. He proposed that a working party be established to consider the matter.

There was general support in the Council for the establishment of a working party and for closer collaboration with less-developed countries not contracting parties. Several representatives expressed the view that any arrangements providing for the participation of such countries should be designed to enable them better to appreciate the principles of GATT and, specifically, the rights and obligations of contracting parties, thus encouraging them to move towards full GATT status. Some representatives felt that in order that any such arrangements would not lead to a dilution of the principles of the GATT, the matter needed careful consideration and an examination of all the implications involved.

The Executive Secretary was invited by the Council to give his thoughts on the matter. The Executive Secretary said that this was a major problem and one which would require careful and deliberate consideration. The problem of accession to the General Agreement was unique in the international field because of the unique character of the GATT itself. The GATT was an international treaty, accession to which resulted in the acquisition of certain specific legal rights and the assumption of equally specific and clear obligations. Therefore accession to the General Agreement had always been a matter of negotiation and contract, unlike other international organizations where it was sufficient that a country joining the organization subscribed to certain general principles in order to be admitted to participate fully in the activities of the organization.

The problem under consideration was a fundamental one especially since the GATT had arrived by a system of pragmatism and evolution at a stage in dealing with the less-developed countries where it was now faced with certain novel features which were not foreseen in the contractual provisions of the General Agreement. The GATT was now feeling its way towards a positive and constructive approach to these problems. One aspect of the question was to see what form of positive co-operation and collaboration between industrialized countries and developing countries could contribute to a faster rate of development in the developing countries over and beyond the contractual provisions of the General Agreement. Countries which did not at present feel that they could immediately accept the obligations involved in accession to the General Agreement, had an interest and a legitimate right to take part in these activities; the CONTRACTING PARTIES themselves also had a great interest in securing the collaboration of these countries. Amongst countries not familiar with the GATT there seemed to be a certain fear or apprehension partly because these countries had not had sufficient experience of the GATT to appreciate the degree of flexibility and sympathetic understanding which tempered the rather legal language in which the Agreement was necessarily expressed.
The present dilemma was whether the doors of the GATT should be thrown wide open as this would dilute the contractual nature of the General Agreement. It would be a loss to the GATT if this contractual nature were to disappear, as it was part of its strength. The objectives of any new arrangements should be to lead countries more and more towards accession and endeavours should therefore be directed towards association as being a stage towards full accession. In the meantime efforts should continue to be made to induce countries to accept the full responsibilities of membership if they were able to do so.

Continuing, the Executive Secretary said that for this purpose the secretariat had established some time ago an objective analysis of the advantages and disadvantages of GATT membership to developing countries. This document had been given wide circulation and had recently been issued in Spanish particularly for the benefit of the Latin American countries. The secretariat had also had talks with the African and Malagasy Organization for Economic Co-operation and had been given to understand that the member countries of that organization had decided in principle to seek accession to the General Agreement. It was understood that the fulfilment of this intention rested largely upon certain considerations of timing and method but that the decision was in principle positive. It was likely therefore that in the coming year there would be considerable reinforcements to the GATT from the African continent. The secretariat was continuing to send invitations to attend the GATT sessions to other areas of the world and this was a facility which was being widely used by non-member countries. Concluding, the Executive Secretary said that he was in full agreement that the time had come for a further effort to create an intermediate status to enable countries not yet in a position to accede fully to the GATT to participate in a number of forward-looking GATT activities and thus to see at close quarters how the GATT operates. On the basis of this experience they might pass rapidly into the inner circle of full membership with all the rights and obligations which are the essential basis of the General Agreement.

It was agreed to establish a working party with the following composition and terms of reference:

Members:  
Argentina  
Australia  
Canada  
EEC  
India  
Israel  
Japan  
Nigeria  
Pakistan  
United Arab Republic  
United Kingdom  
United States  
Tunisia

Terms of reference:

To examine whether practical and satisfactory ways can be devised for participation in the work of the GATT by less-developed countries which do not yet feel in a position to accept the obligations of the General Agreement.

The working party will meet during the period of the Committee III meeting, 25 March to 5 April, and will submit its report to the Council in April.
4. Meeting of Ministers

(a) Date of meeting

It was agreed that the Ministers meeting should begin on the morning of Thursday 16 May and continue up to and including Tuesday 21 May.

(b) Agenda and preparations for the meeting

The CONTRACTING PARTIES at the twentieth session had indicated that the ministerial meeting should consider "a programme for effective liberalization and expansion of trade in both primary and secondary products", full weight being attached "to the importance and urgency of negotiating solutions to the problem of trade in primary products and to the additional trade problems of the less-developed countries". Subject to this directive and in the light of the discussions at the twentieth session the Council was required to propose an agenda for the meeting.

The Council noted that the Working Party on Procedures for Tariff Reduction will meet in March/April and its recommendations will be available for consideration by the Council in April.

The Council also noted that in accordance with the decisions of Ministers in November 1961 the CONTRACTING PARTIES had already adopted procedures "designed to establish the basis for the negotiation of practical measures for the creation of acceptable conditions of access to world markets for agricultural commodities". These procedures envisaged the establishment of special groups "to examine the possibilities for solution of the problems in certain commodities". Two groups - for Cereals and for Meat - had already been established. Meetings of these Groups will be convened by the Executive Secretary when the time seems appropriate. It was not excluded that one or more of these Groups will meet before the Ministers if the conditions for a useful discussion exist. If so, suggestions may be formulated by the Groups for consideration by Ministers. In any case, consultations will be actively pursued between interested governments, so that by the time the Ministers meet it will be possible to submit a comprehensive report on the situation as it then exists and possibly also specific suggestions by governments.

The Council further noted that Committee III will also meet in March/April, preceded by a meeting of the Special Group and of the Sub-Group on Trade in Tropical Products. The findings and recommendations of these bodies will also be available for consideration at the ministerial meeting.
The Council agreed to recommend that the meeting of Ministers should give directions for the effective liberalization and expansion of trade in both primary and secondary products and should consider, inter alia:

A. Arrangements for the reduction or elimination of tariffs and other barriers to trade, and related matters,

B. Measures for access to markets for agricultural and other primary products,

C. Measures for the expansion of the trade of developing countries as a means of furthering their economic development.

Bearing in mind that certain preparatory work preliminary to the meeting of Ministers had been arranged, the Council decided to wait until its next meeting in April before attempting to give more precision to the ministerial agenda.

5. Disinvocation of Article XII by Japan

The Japanese representative informed the Council of a decision of the IMF with the effect that Japan would be no longer entitled to have recourse to Article XII of the General Agreement for the maintenance of import restrictions for balance-of-payments reasons. It was the intention of the Japanese Government to conform to established procedures of the General Agreement regarding residual import restrictions. A communication to this effect would be forwarded to the Executive Secretary.

The Council expressed satisfaction that Japan was able to take this step.

6. Application of the Long-Term Cotton Textiles Arrangement

The representative of Japan informed the Council that on 1 January 1963 the United States Government had invoked Article 3 of the Arrangement and had requested Japan to restrict exports of thirty-six categories of Japanese cotton goods for reasons of market disruption. These thirty-six categories accounted for more than 90 per cent of Japanese exports of cotton textiles to the United States. In his view this meant virtually a request for overall restriction on the export of Japanese cotton goods. It was the opinion of the Japanese delegation that this invocation of Article 3 took place without sufficient justification.

The representative of Japan pointed out that the basic objective of the Long-Term Arrangement was, as was stipulated in the Preamble, to take co-operative and constructive action with a view to the development of world trade and to provide growing opportunities for exports of cotton textiles in a reasonable and orderly manner. He recalled that the Record of Understandings reached by the Cotton Textiles Committee states that resort to the provisions of Article 3 should
be strictly limited to the items or cases where market disruption exists or is threatened and that the reference to a "threat" of market disruption is understood to mean an actual and not a potential threat. He then outlined the reasons why his Government felt that the explanations given by the United States to prove market disruption or threat of market disruption were not convincing. He said that the Japanese Government was making every effort for the success of the bilateral consultations now taking place in Washington and hoped that the United States would reconsider its attitude. If the United States Government insisted on a policy contrary to the provisions and spirit of the Long-Term Arrangement, his Government might be obliged to refer the matter to the Cotton Textiles Committee.

The United States representative said that the statement made by the representative of Japan had been noted and that on another occasion he might wish to reply on behalf of his Government.

7. Canadian import surcharges

At the twentieth session the CONTRACTING PARTIES requested the Government of Canada to report to the Council in the early part of 1963 on action taken towards the removal of remaining temporary surcharges.

The representative of Canada said that the Canadian Minister of Finance had announced on 20 February that import surcharges on a wide variety of goods were being eliminated or reduced. Surcharges were being eliminated on goods which made up about $950 million of imports in 1961 and were reduced on imported goods valued at about $235 million in the same year. The measures announced would make an important contribution to the reduction of costs in Canadian industry and would also benefit Canadian consumers. At the same time Canada's trading partners would benefit from the elimination or reduction of surcharges on numerous products of particular interest to them. In his announcement the Canadian Minister of Finance had also stated that the remaining surcharges would be eliminated as soon as further improvements in Canada's external accounts made this possible.

The Council welcomed the move by the Canadian Government towards removal of its remaining temporary surcharges.

8. Administrative and financial questions

(a) Engagement of temporary assistance (L/1966)

In document L/1966 the Executive Secretary reported that the heavy workload in connexion with the meetings of the Special Group and of the Sub-Group on Trade in Tropical Products had made it necessary to engage temporary assistance. The cost involved would be around $5,000 and the Executive Secretary had suggested ways and means of meeting this expenditure. The Council was asked to approve the proposal in paragraph 3 of the document.

The proposal was approved.
(b) **Documentation and publications (L/1971)**

In the report submitted to the twentieth session by the Committee on Budget, Finance and Administration, it was suggested that the Council should be instructed to establish an *ad hoc* working group to examine the usefulness of the publications and documents being issued by the secretariat and any related matters that might be referred to it. Accordingly in document L/1971 the Executive Secretary had proposed the establishment of a working group which would meet in July and would submit a report to the Committee on Budget, Finance and Administration when it meets in the autumn.

The Council approved the membership and terms of reference of the proposed working group, as contained in document L/1975.

9. **Membership of committees**

The Council agreed that New Zealand and the United Arab Republic should be added to the Working Party on Procedures for Tariff Reduction, Japan to Committee II and the United Arab Republic to Committee III.

10. **Programme of meetings March/November 1963 (C/W/49)**

The Executive Secretary distributed in document C/W/49 a list of dates for various meetings to be held from April to October, including meetings of the Council in April and June, the Working Party on Procedures for Tariff Reduction from 18 March to 10 April and the Committee on Balance-of-Payments Restrictions in June and October.

It was agreed that the meeting of the Working Party on the African Common Market should be postponed and that the Council at its next meeting would fix a new date. The rest of the proposed programme in document C/W/49 was approved. (See L/1973.)