MINUTES OF MEETING

Held at the Palais des Nations, Geneva
on 28 May 1965

Chairman: Mr. E. WYNDHAM WHITE (Director-General)

Subjects discussed: 1. United States tariff classification 2. Voting procedures under Article XXV:5
3. South Africa/Rhodesia trade relations 4. Australian request for waiver to introduce preferences for less-developed countries
5. Australia - conversion of tariff to Brussels Nomenclature
6. Programme of meetings

Before proceeding to the formal business of the Council, the Chairman expressed his deep regret at the death on 13 May, after a long illness, of Ambassador Garcia Oldini, of Chile. He recalled that at the twenty-second session of the CONTRACTING PARTIES in March the Chairman of the CONTRACTING PARTIES and he himself had, on behalf of the contracting parties paid tribute to the human and technical qualities that Ambassador Garcia Oldini had brought to the work of the GATT, with which he had been associated since its inception, and in which he had acted in a number of capacities including that of Chairman of the CONTRACTING PARTIES. He was certain that all present would share the deep grief with which he had learnt of this loss.

1. United States tariff classification (C/56)

The Chairman recalled that, in July 1963, the CONTRACTING PARTIES had granted a waiver to the Government of the United States suspending application of Article II to the extent necessary to enable the introduction of the tariff schedules established under the Tariff Classification Act prior to the completion of the applicable procedures under Article XXVIII. This waiver had subsequently been renewed by a Decision of 26 June 1964 and the Government of the United States was now requesting a further extension until 30 June 1966.

1 The Director-General presided in the absence of the Chairman, Mr. Skak-Nielsen (Denmark).
The representative of the United States, in amplification of the request of his Government, contained in C/56, explained that the principal cause of delay in the five renegotiations still outstanding had been the need to correct certain errors in the new schedules through legislative action. It was not possible to predict when action on the legislation would be completed and it would be prudent to allow for any delay in the legislative process. For this reason a full year's extension of the waiver was being requested. Moreover the renegotiations were extremely complex and involved the preparation of a considerable quantity of data and many months of bilateral negotiations with trade partners affected. However, the United States believed that the new classification would benefit the exports of its trading partners, since it was both simpler and, on balance, more favourable to imports than the former classification. The United States wished to conclude the outstanding negotiations as quickly as possible and would be prepared to keep the Council informed on progress made.

Representatives of countries, which were among those which had not completed Article XXVIII negotiations with the United States, emphasized that they were anxious to pursue these negotiations in the hope of an early conclusion. The United States was, of course, an extremely important trading partner and failure to conclude the renegotiations constituted a domestic problem of considerable importance, as the loss of benefits previously enjoyed in the United States tariff on a large number of items had not yet been compensated. They welcomed the determination of the United States to conclude these negotiations at an early date. They would therefore agree to the extension of the waiver for a further twelve months. They pointed out, however, that it would be a serious matter if it were to prove necessary for the United States to seek a further extension in 1966. The representative of the United Kingdom suggested that, particularly as the United States representative had expressed the willingness of his Government to keep the Council informed of progress, the text of the Decision extending the waiver should contain a specific reference to this undertaking. This suggestion was supported by the representative of Canada, the Commission of the European Economic Community and Japan.

The representative of the Commission of the EEC emphasized the importance the Community attached to the renegotiations. The delay in their completion seemed attributable to the fact that the United States Government was not yet in a position to produce the elements necessary to find solutions to important problems posed in connexion with certain of the new classifications. Moreover, the Bill now before the United States Congress would not seem to overcome the fears of the Community as regards all its particular interests and the Community would wish to reserve all its rights in this connexion. The Community was, however, fully aware of the difficulties inherent in international negotiations of this type and, for this reason, the six member States would vote in favour of a further extension of the waiver.

Representatives of a number of countries, which had concluded their renegotiations with the United States, recognized that more time was needed for the completion of renegotiations and expressed the intention of their Government to vote for the extension requested.
Representatives of some less-developed countries hoped that the views exchanged in their renegotiations would have enabled the United States Government to obtain a deeper insight into the problems confronting developing countries so that it would be in a better position to take account of these problems in the context of the Kennedy Round and other GATT activities relating to the trade of developing countries.

The text of a decision was approved and representatives, who had the authority to do so, recorded their votes. The Chairman requested the secretariat to distribute ballot papers to contracting parties not represented at the meeting.

The representative of the United States expressed the hope that it would be possible for the voting to be completed at an early date so that the extension could come into effect on 1 July 1965.

2. Voting procedures under Article XXV:5

The Chairman appealed to contracting parties to take seriously their responsibilities to vote on waivers requested under Article XXV:5. He recognized that many contracting parties, particularly those which had recently acceded, might have only a minimal trade interest in respect of the matters covered by a proposed waiver, but he pointed out that, in terms of the voting requirements of Article XXV:5, which had been drafted to safeguard the interests of contracting parties, the failure of a large number of contracting parties to participate in a vote could impair the smooth functioning of the General Agreement.

3. South Africa/Rhodesia trade relations (L/2439)

The Chairman recalled that, at their twenty-second session, the CONTRACTING PARTIES had appointed a Working Party to examine the trade agreement concluded by Governments of South Africa and Rhodesia and to report, with any appropriate recommendations. The report of the Working Party had been distributed in document L/2439.

The representative of Sweden, speaking on behalf of the Chairman of the Working Party, said that meetings had been held during and after the twenty-second session; the Working Party had studied the technical problems involved and had prepared a draft decision to cover certain adjustments in the margins of preference accorded by South Africa to Rhodesia.

In view of the fact that copies of the report had been in the hands of representatives for only a day or two, it was agreed to defer consideration of the matter until the next meeting of the Council.

4. Australian request for a waiver to grant preferences to less-developed countries

The representative of Australia introduced the formal application to the CONTRACTING PARTIES by Australia for a waiver under Article XXV:5 of the General Agreement to cover the introduction by Australia of preferential rates of duty on imports of manufactured and semi-manufactured products produced in less-developed
countries. He recalled that during the Second Special Session Australia had stated that, whilst it subscribed fully to the objectives of the new Part IV and intended to do all within its power to assist development in the less-developed countries, the form of the new Articles raised difficulties for Australia, particularly with their unreal division of countries into only two categories, industrialized and less-developed as this failed to take account of the significant differences between an economy such as Australia's and those of the highly industrialized States. However, at the same time, Australia had undertaken to seek solutions to the difficulties of the less-developed countries.

On 19 May the Australian Minister of Trade and Industry had announced that Australia would accept the Protocol introducing Part IV on the understanding that the provisions of Article XXXVII would be applied to the fullest extent consistent with Australia's development needs and policies and responsibilities. On the same day the Minister had announced that it was the intention of the Australian Government to seek a waiver under the General Agreement to implement a preferential scheme for the benefit of less-developed countries.

It was clear to the Australian Government that the development and foreign exchange requirements of the developing countries could not be satisfied from the export of primary products alone and that a significant and increasing proportion of these exports must take the form of manufactured and semi-manufactured items. On the other hand, it was unrealistic to expect industries in the developing countries to compete on equal terms with long-established producers in the highly industrialized States. The Australian Government had, therefore, concluded that the trade of less-developed countries could be afforded real and practical assistance by applying preferential tariff rates to imports from those countries which were uncompetitive when subject to most-favoured-nation duties. Such preferential rates would be applied to all less-developed countries which needed such assistance in respect of the products concerned. Australia would not require reciprocity for any preferences granted under this scheme. To avoid serious detriment to Australian industries and disruption of the trade of existing suppliers to the Australian market, it had been decided that the new preferential rates should be subject to tariff quotas. Moreover, it was proposed that interested supplying countries, not benefiting from proposed preferences, should be afforded opportunity for consultations in advance of the introduction of new preferential duties. The Australian Government was prepared to provide periodic reports, perhaps annually, to the CONTRACTING PARTIES. These would provide opportunities for the CONTRACTING PARTIES to consider developments under the waiver. It was suggested that the terms of any waiver to be granted should enable Australia to extend preferences on all manufactures and semi-manufactures so that new preferences could be instituted as the need arose. The Australian Government would welcome the guidance of the CONTRACTING PARTIES in regard to the classification of less-developed countries for the purposes of the requested waiver. The proposed scheme reflected economic circumstances in Australia and might not, it was recognized, be appropriate for any generalized system of preferences by industrialized countries for less-developed countries.

The text of the formal request has been distributed in document L/2443.
Australia would like its application to be dealt with promptly and it therefore proposed the establishment of a working party to examine its application at about the time of the meeting of the Ad Hoc Group, to consider preferences by industrialized countries to less-developed countries, in order that advantage could be taken of the presence in Geneva of experts. He suggested that the first meeting of the working party should be of a preliminary nature to enable a clearer view to be obtained of the issues involved so that a more substantive discussion could be undertaken at a later date.

Representatives of many developing countries welcomed the Australian initiative which, they recognized, introduced a completely new concept in the GATT, and said that the proposal would be studied with the greatest care by their governments. Representatives of several industrialized countries recognized the importance of the Australian proposal and signified the intention of their governments to study it closely. The representatives of the United States and Japan reserved the position of their Governments.

The Council agreed to establish a Working Party with the following terms of reference:

"To consider a request from the Government of Australia for a waiver under the terms of Article XXV:5 of the General Agreement to cover the introduction by the Australian Government of preferential rates of duty on imports of manufactured and semi-manufactured products produced in less-developed countries, and to submit recommendations to the Council or to the CONTRACTING PARTIES".

Governments wishing to participate in the Working Party were requested to notify the secretariat by 11 June 1965. It was agreed that Switzerland, although it had not entered into GATT relations with Australia, could participate in the Working Party. It was further agreed that the Chairman of the CONTRACTING PARTIES would appoint a chairman for the Working Party after consultation with interested delegations.

In clarification of points raised by representatives, the Chairman said that the Working Party would not be precluded, by its terms of reference, from considering semi-processed products in relation to the proposed preferential arrangement or from providing guidance on the classification of less-developed countries, as had been requested of the CONTRACTING PARTIES by the Government of Australia.

5. Conversion of the Australian tariff to Brussels Nomenclature

The representative of Australia stated that the Australian tariff would be converted to the Brussels Nomenclature system as from 1 July 1965. The conversion exercise had only very recently been completed and the necessary legislation had

\[1\] For the timing of the meeting of the Working Party see item 6, "Programme of Meetings".
been enacted in the previous week. The Australian financial year commenced on 1 July and there were obvious practical advantages, for this reason, and for the conducting of Australia’s Kennedy Round negotiations, in bringing the new tariff into effect as from 1 July 1965. In drafting the new tariff, Australia had endeavoured to maintain concessions resulting from previous GATT negotiations and considered that it had been almost completely successful in this. However, minor departures from the concessions might inevitably have occurred in a small minority of cases but these would not be significant in trade terms. In any event, if, after examining the new tariff, any contracting party believed that Australia had infringed, in the new tariff, a concession of interest to it, Australia stood ready to examine, and, if necessary, to adjust the matter. So as to enable contracting parties to compare the new tariff with Australia’s GATT schedules, it would make available the necessary documentation as soon as possible. Australia was currently engaged in a parallel exercise involving the introduction of a decimal currency system in February 1966 which would require at least nominal changes in fixed rate duties including those in Australia’s GATT schedules. Australia would provide, for the information of contracting parties, a consolidation of her GATT schedules, in a form reflecting the change-over to the Brussels Nomenclature and the introduction of decimal currency, as soon as it had been decided on what basis fixed duty rates should be expressed in decimal terms. This latter information would probably be available early in the autumn of 1965.

The Council took note of the statement.

6. Programme of Meetings

Concerning the programme of meetings for Groups established by the Committee on Trade and Development, the Council agreed that the Group on Preferences by Industrialized Countries, which was to have met on 8-11 June, should hold its meeting on 21-24 June, and that the Working Party established to examine the Australian request (item 4, above) would meet during the same period, beginning on or about 23 June. Further, it was agreed that the meeting of the Group on Commodity Problems should be deferred since specific proposals for its consideration had not yet been received from governments.

The Council confirmed that its next meeting would be held on 12-13 July.