The seventeenth session of the Contracting Parties\(^1\) to the General Agreement on Tariffs and Trade was held at Geneva from 31 October to 19 November 1960.

**OFFICERS**

At the close of the session the chairman and vice-chairmen were re-elected; they will hold office until the end of the nineteenth session in November 1961.

Chairman : Mr. Edmundo Penna Barbosa da Silva, Brazil

Vice-Chairmen : Mr. Toru Haguiwara, Japan
Mr. W.P.H. van Oorschot, Kingdom of the Netherlands

**ADDRESS BY THE CHAIRMAN AT THE OPENING OF THE SESSION**

The address by the Chairman, outlining the scope of the work to be undertaken during the session, is reproduced in press release GATT/544.

**REGIONAL ECONOMIC INTEGRATION**

(a) European Free Trade Association

During the sixteenth session the Stockholm Convention establishing the European Free Trade Association, of which Austria, Denmark, Norway, Portugal, Sweden, Switzerland and the United Kingdom are members, was subjected to a detailed examination. The Contracting Parties agreed, at that time, to defer until the seventeenth session any action in regard to the Convention, thus giving time for reflection on the various points of view expressed.

At the seventeenth session the Contracting Parties approved certain conclusions regarding the Stockholm Convention which may be summarized as follows: the Contracting Parties have examined the provisions of the Convention in accordance with paragraph 7 of Article XIX of the General Agreement; they

\(^1\)The Contracting Parties to the General Agreement, together with other governments and inter-governmental agencies which were represented at the seventeenth session, are listed on the final page of this release.
have taken note of the provisions of the Convention, as well as the statements made by representatives of the EFTA member governments, to the effect that their governments are firmly determined to establish, within the time limit provided for in the Convention, a free-trade area in the sense of Article XXIV; at this stage of their examination the Contracting Parties felt that there remain some legal and practical issues which could be more fruitfully discussed in the light of experience of the operation of the Convention; this conclusion would not prejudice the rights of the Contracting Parties under Article XXIV; the Contracting Parties welcomed the readiness of the members of EFTA to furnish information (pursuant to paragraph 7 of Article XXIV) as the evolution of the EFTA proceeded; they also welcomed the willingness of the members of EFTA to furnish, in Article XXII consultations, information as to the measures arising out of the application of the Convention.

(b) Latin American Free Trade Area

During the seventeenth session there was a detailed examination in a working party of the Montevideo Treaty which - when it comes into force - will establish a free-trade area among Brazil, Chile, Peru, Uruguay, Argentina, Mexico and Paraguay: the first four of these countries are contracting parties to GATT. On the basis of the working party's report the Contracting Parties approved certain conclusions which may be summarized as follows: The Contracting Parties have examined the provisions of the Treaty, in accordance with paragraph 7 of Article XXIV of the General Agreement; they have taken note of the provisions of the Montevideo Treaty, as well as of the statements made by representatives of parties to the Treaty, to the effect that their governments are firmly determined to establish, within the time limit provided for in the Treaty, a free-trade area in the sense of Article XXIV; at this stage of their examination the Contracting Parties felt that there remain some questions of a legal and practical nature which it would be difficult to settle solely on the basis of the text of the Treaty and that these questions could be more fruitfully discussed in the light of the application of the Treaty; this conclusion would clearly not prejudice the rights conferred on the Contracting Parties under Article XXIV and does not in any way prevent the parties to the Treaty from proceeding with the application of the Treaty when it has been ratified; the Contracting Parties welcomed the willingness of members of the LAFTA which are contracting parties to the General Agreement to furnish, in Article XXII consultations, information as to the measures arising out of the application of the Treaty.

(c) European Economic Community

During the seventeenth session the representative of the Commission of the EEC presented a report on developments in the activities of the Community and with particular regard to tariffs, to the general economic situation and to measures taken for assistance to countries in the process of development.

With regard to tariffs, on 1 July 1960 the Member States gave effect among themselves to the second 10 per cent reduction of their customs duties. All the Member States have made this reduction, which applies to imports of products originating from the associated countries, in a strictly proportionate
manner, although the Treaty allows for a more flexible method. The third 10 per cent reduction of customs duties on reciprocal trade will be effected on 31 December this year, instead of 31 December 1961, the date stipulated in the Treaty in accordance with the decision to speed up the rate of achieving the purposes of the Treaty. Furthermore, the first alignment of national tariffs with the common customs tariff will be carried out by the end of this year.

An even more important fact than this acceleration is that, at the time of the first alignment at the end of 1960, the Member States will take as their basis for calculation the common external tariff decreased by 20 per cent, subject to the proviso that the duties to be reduced in consequence of the alignment must not be lower than the external tariff originally established.

The economic expansion which has been evident in all the countries of the Community since early 1959 has continued steadily. During the first half of 1960, intra-Community trading rose by approximately 34 per cent above the volume of the first half of 1959. Imports from third countries by the countries of the Community in the first half of 1960 confirmed the upward trend which had begun in the fourth quarter of 1959, in that during the first half of 1960 they exceeded those of the first half of 1959 in value by 23.8 per cent. Exports from the EEC countries to other countries, which have been rising since early 1959, increased by 21.7 per cent in the first half of 1960 above the figure for the corresponding period of 1959.

As regards the establishment of a common agricultural policy, the Commission submitted the proposals provided for in Article 43, paragraph 2, of the Rome Treaty to the Council of Ministers at the end of June. Since the discussions on a project of this scope will be extremely complicated and take a long time, the Council has set up a special Committee, composed of senior officials from the six Member States, with instructions to make a thorough study of these proposals in all their aspects. The special Committee began its work in September. In view of the considerable work with which the Committee is faced, it would be unrealistic to expect final results in the very near future.

There was a general welcome given to the initiative of the EEC in presenting its report; in the course of the discussion several delegates raised questions of special interest to their governments. First, there was a general interest in receiving details of the common agricultural policy without delay and in the possibility of discussing it in an appropriate GATT form. The EEC representative gave an assurance that the agricultural policy would be a liberal one and stressed that, on this matter, the Contracting Parties would put their trust in the Community to carry out its obligations. Secondly, some delegates pointed out that the Community was now giving progressively favourable treatment in its trade with the associated overseas territories, that this was having a harmful effect on the trade of certain countries, particularly less-developed countries, with the Community, and they looked for compensation for damage caused, in the course of the tariff conference. The EEC representative pointed out that the removal of obstacles to trade between the Six and the associated territories is laid down in the Rome Treaty. However, this did not exclude the possibility for EEC to help other developing countries.
PROGRAMME FOR TRADE EXPANSION

The programme for trade expansion, which was established in 1958 and was based largely on the recommendations in the Haberler Report, has been carried forward through the work of three Committees. Committee I was able to arrange for a further general round of tariff negotiations, i.e. the GATT Tariff Conference 1960–61. The work of Committee II covered the agricultural protectionist measures on international trade. Committee III had to examine the problem of the difficulties which face the less-developed countries in expanding their export trade with the rest of the world.

Committee II. In the first phase of its work Committee II adopted a plan for regular consultations with all contracting parties about their agricultural policies. These consultations were focussed on the effects of such policies on international trade. Since the consultations began in September 1959 thirty-four countries have been consulted. The second phase of Committee II’s work involves an analysis, on a global basis, of the overall effects of individual agricultural policies and systems on international trade in each of the groups of commodities which had been examined by the Committee during the country-by-country consultations. During its meeting in October 1960 the Committee undertook discussions on dairy products, meat, cereals and fish; it commenced the discussion on sugar and postponed the discussion on vegetable oils until a future meeting. It should also be mentioned that as part of the work of Committee II a small group of experts is undertaking a study of the possibilities of measuring agricultural protection.

During the discussions at the seventeenth session the work to date of Committee II was described as fruitful and constructive. Nevertheless, it was stressed that agricultural protectionism is not capable of easy or rapid solution. Delegates pointed out that the Committee has reached an important and crucial stage in its work; it had virtually completed the first phase, which called for the assembling of the facts concerning national agricultural policies and measures. It now had the much more difficult task of evaluating this material and drawing conclusions as to the direct and indirect effects of national agricultural policies on world trade. It was pointed out that the facts show that virtually all governments have intervened in one way or another to assist or support agricultural producers, resulting in serious distortions of the normal patterns of production and trade. Reference was also made to the fact that in a number of instances tariff concessions made in the past had been nullified by measures of agricultural protection. It was also stated that, in relation to the Tariff Conference, the agricultural policy of the European Economic Community would be of special importance and hopes were expressed that this policy could be discussed in an appropriate GATT forum before it was established.

Committee III. The Contracting Parties considered the fourth progress report of Committee III. This report reviews the progress made by individual contracting parties in removing obstacles to trade in a "first" list of commodities of particular interest to less-developed countries¹. The report

¹The commodities included in this review were cocoa, coffee, copper, cotton, textiles, jute manufactures, lead, oilseeds and vegetable seeds, raw cotton, tea, timber and tobacco.
also describes the preliminary work of the Committee in examining the obstacles facing the exports of a "second" list of products. These include some products of light industries in which some less-developed countries have a surplus of production above their domestic needs, available for export.

While the progress report of Committee III was in general welcomed, the delegates of less-developed countries expressed disappointment at the slowness with which its recommendations were being implemented by the industrialized countries. While Committee III had helped to identify such obstacles as high tariffs, restrictive fiscal charges and import quotas which inhibit the entry into industrialized countries of primary products, there was, in the view of the less-developed countries, no real justification for the use of these protective and fiscal devices by the industrialized countries, in the context of the increase in national incomes and industrial activity. Although they had relaxed some quota restrictions in recent months, the benefits accruing to less-developed countries had been insignificant and there had been little or no action specifically directed towards improving the access of exports from the less-developed countries to the markets of the industrialized countries. It was pointed out that over the last two years, during which Committee III has been in existence, the export earnings of the less-developed countries had, by and large, continued to stagnate; they had not kept pace with the rate of growth in trade achieved by the industrialized countries.

Attention was drawn, in particular, to the use by industrialized countries of fiscal levies or internal taxes which, it was stated, had actually been increased on products such as tobacco, tea and coffee in certain countries. The less-developed countries felt that conditions are now very favourable for the industrialized countries to reduce fiscal charges on primary and tropical products such as tea, coffee, cocoa, tobacco etc. They regretted that the progress which most industrialized countries have made towards liberalization of imports has not extended to any real freeing of markets for imports from the less-developed countries and that restrictions continue to be maintained on items like cotton textiles, jute goods and other simple manufactures.

Delegates representing industrialized countries urged that the difficulties faced by the less-developed countries required immediate and sympathetic attention. While it was admitted that progress to date in removing obstacles to the exports of the less-developed countries had been mainly attributable to the general move towards liberalization, nevertheless assurances were given that earnest efforts were being made as to what could be done to improve the trade prospects of the less-developed countries. Stress was laid on the need for less-developed countries to diversify their range of products for export. A substantial development of trade and a genuine improvement in the position of these countries would not, it was said, follow from the increase of exports

Light engineering goods (bicycles), sewing machines, electric fans, small diesel engines and electric motors; finished leather, leather footwear and leather goods; iron ore; aluminium, alumina and bauxite; and sports goods.
of traditional commodities alone. In this connexion the value of the studies of the possibility of guiding the expansion of the existing industries and the development of new industries in such a way that the developing countries can become economically efficient producers, was underlined. It was also pointed out that the development of inter-regional trade can be of value to the less-developed countries. While the development of trade between the industrialized countries and the developing countries naturally remains the main purpose of the work of Committee III, in many cases the development of trade among countries belonging to the same region can contribute significantly to stimulate investments and production.

**BALANCE-OF-PAYMENTS IMPORT RESTRICTIONS**

Under the rules of GATT, contracting parties are allowed to apply import restrictions for the purpose of safeguarding their balance-of-payments and monetary reserves. Such restrictions must not be applied beyond the extent necessary for the purpose envisaged and must be progressively reduced and eliminated as soon as they are no longer required. In the past year several contracting parties which have for a long time been applying import restrictions for this purpose announced that they no longer had balance-of-payments difficulties and would therefore no longer make use of these provisions of the GATT. The total number of contracting parties making use of import restrictions under these provisions has been reduced from twenty-five in October 1959 to seventeen at present.

In the Eleventh Annual Report on Discriminatory Restrictions drawn up at this session this progress is noted as well as the reduction in the use of discrimination in the remaining restrictions. The process of relaxation of restrictions and reduction of discrimination, which began a few years ago, has quickened since the extension of external convertibility to include most of the important trading currencies at the end of 1958. As far as a year ago the Contracting Parties reaffirmed their view that the discrimination no longer justifiable on balance-of-payments grounds should quickly be eliminated. The Eleventh Annual Report calls attention to the uneven progress made in this domain and urges again that contracting parties still applying such discriminatory restrictions eliminate these quickly.

Under the GATT rules, countries applying import restrictions on balance-of-payments grounds are required to consult with the Organization at regular intervals (once a year for an industrialized country and once every two years for a "less-developed" country). Consequent upon the progress referred to above there were considerably fewer contracting parties in the industrialized group consulting this year. In May the Committee on Balance-of-Payments Restrictions conducted a first group of consultations, with Austria, Brazil, Greece, India, the Union of South Africa and Uruguay. In October-November the same Committee carried out consultations with a second group of countries, namely, Ceylon, Denmark, Finland, Israel, Japan, New Zealand, Norway and
Pakistan. In some cases the countries concerned were urged to reduce the level of their restrictions and discrimination, to avoid any unnecessary adverse effects of the restrictions on trade or to simplify the restrictive procedures and formalities.

In 1961 the Contracting Parties will carry out similar consultations with some twelve contracting parties, and arrangements for this exercise have been worked out at the present session. A fourteen-nation Committee on Balance-of-Payments Restrictions has been re-appointed under the Chairmanship of Mr. L.V. Castle, Economic Counsellor for New Zealand in London, which will meet for this purpose in April-May and October-November next year.

During the session the Contracting Parties also reviewed existing procedures for dealing with any new or increased use of import restrictions. The purpose was to make sure that the Contracting Parties could act promptly and effectively when notified of any such measures taken by a contracting party. They were satisfied that with the establishment of the Council and close co-operation with the International Monetary Fund, a consultation on any new restrictions or substantial intensification of restrictions could be instituted without delay. It was agreed that the Council would be convened to deal with any such cases within a period not shorter than 48 hours and not longer than ten days. The Contracting Parties also considered the best procedures to be adopted for dealing with residual restrictions, that is, restrictions remaining after a country has emerged from balance-of-payments difficulties. Provision was made for the notification by contracting parties of any such restrictions. The relevant existing procedures in the General Agreement were clarified.

AVOIDANCE OF MARKET DISRUPTION

During the Ministerial discussions at the fifteenth session attention was called to the problem of disruption of markets caused by a sudden influx of imports. It was pointed out that sharp increases in imports over a brief period of time and in a narrow range of products could have serious economic, political and social repercussions in the importing countries; the problem was to find the means to alleviate the adverse effects of such abrupt invasions of established markets while continuing to provide steadily enlarged opportunities for trade. In the course of discussions it was brought out that the apprehension that such situations might arise had led some countries to maintain or impose restrictions against particular imports from particular countries.

At the sixteenth session the problem was referred to a working party which met in September 1960 and again during the seventeenth session. On the basis of proposals submitted to the Working Party by the Executive Secretary, the Contracting Parties agreed to procedures for considering the problem of market disruption. These are set out as follows:

Recognition of the problem called "Market Disruption". Situations which have been described as "market disruption" generally contain the following elements in combination:

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(i) a sharp and substantial increase or potential increase of imports of particular products from particular sources;

(ii) these products are offered at prices which are substantially below those prevailing for similar goods of comparable quality in the market of the importing country;

(iii) there is serious damage to domestic producers or threat thereof;

(iv) the price differentials referred to in paragraph (ii) above do not arise from governmental intervention in the fixing or formation of prices or from dumping practices.

Governmental Action resulting from Market Disruption. The above situations have often led governments to take a variety of exceptional measures. In some cases importing countries have taken or maintained discriminatory measures either outside the framework of the General Agreement, or contrary to the provisions of the General Agreement. In some other cases exporting countries have tried to correct the situation by taking measures to limit or control the export of the products giving rise to the situation.

Such measures, taken unilaterally or through bilateral arrangements, may in some cases tend to cause difficulties in other markets and create problems for other contracting parties.

Constructive Solutions consistent with basic aims of GATT. A permanent Committee on Avoidance of Market Disruption to be maintained. It is agreed that the objective of all countries involved in these situations is to find constructive solutions consistent with the basic aims of the General Agreement.

It is also agreed that it would be desirable to establish procedures which would facilitate consultation between all contracting parties concerned with regard to such situations. For this purpose the Working Party on Avoidance of Market Disruption should be maintained in being as a permanent Committee of the Contracting Parties. These procedures would not prejudice the rights and obligations of contracting parties under the General Agreement including rights and obligations in regard to consultation.

Facilities for Consultation. Contracting Parties recognize that, if and when they are faced with problems of market disruption there would be advantage, whether or not they deal with them by bilateral negotiations, in availing themselves of the facilities thus provided for consultation as regards any problem created for other contracting parties.

In adopting the above plan of operation contracting parties recognize:

(1) the advantage of multilateral consultations in arriving at constructive solutions, when the problem does not lend itself to bilateral settlement or where a bilateral settlement raises problems for third countries;
(ii) that the procedures should not be such as likely to lead to the restriction, but the orderly expansion of international trade through the provision of improved trading opportunities; and

(iii) that existing rights and obligations under the General Agreement should not be prejudiced.

SUBSIDIES

At its September meeting, the GATT Council reviewed the position regarding the provision of Article XVI which envisages the eventual prohibition of export subsidies on goods other than primary products. Hitherto there had only been a standstill arrangement in operation from year to year whereby certain contracting parties had undertaken not to increase the scope and extent of export subsidies on any such products.

On the basis of the report of a Working Party which examined the matter during the seventeenth session the Contracting Parties were generally of the view that the time had come to put the provisions of Article XVI fully into effect. They therefore drew up and opened for signature a Declaration, the effect of which will be to prohibit the use of export subsidies on goods other than primary products (Paragraph 4 of Article XVI). This Declaration will, initially, be applied by a number of industrial countries and will enter into force when those countries have accepted it. A second Declaration prolonging the former standstill arrangement until the end of 1961 has also been drawn up and opened for signature by governments which do not sign the Declaration referred to above.

PARIS ECONOMIC MEETINGS: THE PROPOSED ORGANIZATIONS FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

As at the sixteenth session the Contracting Parties took the opportunity to discuss developments at the economic meetings held in Paris. This discussion was based on a report by the Executive Secretary. His report was largely concerned with the reorganization of the Organization for European Economic Co-operation (OEEC) and the formulation and proposed functions of the Organization for Economic Co-operation and Development (OECD), and in particular with the functions which the OECD would have in the trade field.

In the course of the discussion delegations which are not members of the OECD group (the OECD would comprise the eighteen members of the OEEC, Canada and the United States), again stated their concern that in the trade field the OECD might overlap with GATT's functions or would duplicate its work, thus leading towards a weakening of GATT's effectiveness. It was pointed out that OECD represented a powerful group of industrial countries, which might take decisions that could, in effect, be presented to GATT as a sort of fait accompli. These delegations felt that GATT was the only appropriate forum in which to discuss trade problems. Particular apprehensions were expressed by representatives of less-developed and developing countries.
Representatives of contracting parties which are expected to be members of OECD stressed that a basic objective of OECD was to contribute to the expansion of world trade and that its members undertook to proceed in a manner consistent with their international obligations. The primacy of GATT in the trade field was fully recognized, and this was borne out in the Paris discussions regarding the functions of OECD, where the participants were fully aware of their obligations under GATT. It was agreed that the Executive Secretary should continue to take part in the Paris meetings and that he should make a further report to the next session of the Contracting Parties or to the Council.

IMPORT RESTRICTIONS MAINTAINED BY CERTAIN COUNTRIES

Belgium. At the Tokyo session serious concern was expressed about the lack of progress made by Belgium towards the removal of the remaining restrictions on imports, as required under the waiver granted in 1955. When the Belgian Delegation announced at the sixteenth session that a new list of agricultural products would be liberalized not later than 30 June 1960, they added that, in view of the situation of Belgian agriculture and the price levels for such products in the international market, the Belgian authorities found it necessary to provide for the levying of licensing taxes on imports of these products so as to be able to offset the possible effects of imports at abnormally low prices.

When the fifth annual report by Belgium was examined at the seventeenth session in a working party it was noted that although some import restrictions had been removed progress had not been as rapid and extensive as had been hoped for and concern was expressed that the import levies, referred to above, would have the effect of nullifying or impairing the benefits expected to be obtained with the removal of restrictions maintained under the waiver. Concern was expressed that Belgium was still not in a position to indicate concrete and definite measures for the elimination of quantitative restrictions by the end of 1962, at the end of the waiver period.

Federal Republic of Germany. The Federal Republic of Germany made a further report under the terms of the Decision of 30 May 1959 granting a waiver under which the Federal Republic agreed to progressively relax and liberalize the import restrictions it imposes, in accordance with certain terms and conditions.

When, at the seventeenth session, a working party carried out a consultation with the Federal Republic, it was noted that in the industrial sector almost complete liberalization of imports had been achieved, but that in the agricultural sector there was no indication that any serious consideration had been given to the removal of restrictions, although nearly half the period covered by the waiver had elapsed. When the matter was discussed in plenary session the delegate of Germany said that his country was in the process of integration into the EEC and he stressed the importance of the common agricultural policy in that connexion, as well as the elements in the economic sphere which were favourable to the development of foreign trade.
United States. The Contracting Parties considered the sixth annual report submitted by the United States under the terms of the waiver of 5 March 1955 which enables the United States to maintain import restrictions under Section 22 of the United States Agricultural Adjustment Act. It was noted that, although import restrictions on certain types of cheese had been relaxed during the period under review the restrictions are still being applied to the same commodities as before. Serious concern was expressed, by the Working Party which examined the Report, at the slow progress in removing restrictions and the request was made that the present quotas should be reviewed to allow increased imports of butter and other dairy products. Such action by the United States, it was pointed out, would encourage similar action elsewhere.

**COMMODITY PROBLEMS**

During the session the Contracting Parties discussed the impact of commodity problems on international trade - a discussion in which many representatives of the less-developed and primary producing countries took part. The statements made indicated the concern of governments with the special difficulties of commodity trade, including the problem of market instability. Account was now being taken in the GATT, it was stated, of the desire for larger as well as more stable markets for primary exporting countries; the GATT had assumed an important responsibility in connexion with this problem of trade expansion. It was noted that recent developments in international commodity trade were by no means promising and that prices for primary commodities had not reacted to the recent resurgence of economic activity in industrialized countries. The reduction of the trade deficit of the less-developed countries had in fact been partly due to reduced imports of much needed capital goods. It was pointed out by representatives of agricultural exporting countries that an expansion of trade on a multilateral basis would only succeed if a solution to commodity problems having their origin in protectionist policies could be found and that a small reduction in un-economic production, stimulated by excessive protection, could lead to a considerable increase in imports of agricultural products. Further it was stated that primary producing countries need an assurance that tariff concessions made by them would not be nullified by non-tariff protectionist measures. One of the essential roles of the GATT in commodity problems was soon as the practical one of removing effective barriers to increasing consumption: in other words, the implementation of the programme of trade expansion through the work of Committees II and III.

The Contracting Parties also discussed the disposal of commodity surpluses against the background of the Resolution of 4 March 1955. The United States delegate reported on the United States surplus disposals programme and described the network of consultative arrangements which had been established and which operated on a practically continuous basis. The discussion clearly showed that many governments which are dependent on exports of primary commodities and agricultural produce continue to be vitally concerned with surplus disposals on world markets and that, while consultation procedures were working smoothly, on the whole, it was very desirable that this problem should be kept under review in the GATT as well as in other inter-governmental agencies.
A group of experts met in June 1959 to consider whether, and if so, how, the Contracting Parties should undertake to deal with restrictive business practices in international trade. On the basis of the work of a working party which met during the seventeenth session the Contracting Parties adopted a Decision which recognizes (a) that business practices which restrict competition in international trade may hamper the expansion of world trade and the economic development in individual countries and thereby frustrate the benefits of tariff reduction and removal of quantitative restrictions or may otherwise interfere with the objectives of the General Agreement and (b) that international co-operation is needed to deal effectively with harmful restrictive practices in international trade. The Decision states that consultations between governments on these matters should be encouraged and that in present circumstances it would not be practicable for the Contracting Parties to undertake any form of control of such practices nor to provide for investigation. The Contracting Parties, under the terms of the Decision, recommend that "at the request of any contracting party a contracting party should enter into consultations on such practices on a bilateral or multilateral basis as appropriate. The party addressed should accord sympathetic consideration to, and should afford adequate opportunity for consultations with the requesting party, with a view to reaching mutually satisfactory conclusions, and, if it agrees that such harmful effects are present, it should take such measures as it deems appropriate to eliminate these effects". The Decision also contains arrangements for keeping the GATT secretariat and the Contracting Parties informed of the outcome of such consultations.

APPLICATION OF ARTICLE XXXV TO JAPAN

In plenary session the representative of Japan drew attention to the very serious concern of his government over the widespread resort to Article XXXV, and stressed its strong desire that the Contracting Parties make every effort to find an early solution to this question. He pointed out that there are still fourteen contracting parties applying Article XXXV and he expressed the fear that newly independent countries in Africa and elsewhere, if they decided to accede to GATT, would inherit the invocation of this Article by the United Kingdom, France or the Benelux, thus possibly increasing the total to twenty-five or thirty. The delegate of Japan said that, in these circumstances, he wished to make a formal request for a review of Article XXXV as applied to Japan, in accordance with the provisions of paragraph 2 of the Article. Referring to the tariff negotiations he said that because certain countries had resorted to Article XXXV Japan had been prevented from entering into tariff negotiations with such countries, and he was afraid that she might be in the same position again in the 1961 negotiations. Japan, he said, intends to comply with the provisions of the GATT by proceeding with the liberalization of her imports; but this presented his government with a dilemma. Should they liberalize their imports from all sources (including countries invoking Article XXXV) or limit the liberalization to imports from countries not invoking Article XXXV? This was a matter which could be studied in the review of the Article which he had requested.
In the discussion which followed several representatives stated that while their governments still applied Article XXXV to Japan, in fact they granted to Japan most-favoured-nation treatment. It was agreed that the Council will examine the request for a review of the application of Article XXXV to Japan and will decide on the timing and scope of the review.

CONSULTATION WITH SWITZERLAND

Under the Declaration of 28 November 1958, Switzerland has acceded provisionally to the General Agreement. The Declaration requires Switzerland to consult annually with the Contracting Parties, with a view to finding solutions to the problem created by certain Swiss legislation under which restrictions are imposed on imports of agricultural and food products.

At this session the representative of Switzerland made a statement in which he pointed out that certain contracting parties in a similar situation to that of Switzerland have retained restrictions on imports of agricultural products, no matter whether they are or are not in balance-of-payments difficulties. He put forward arguments by which Switzerland could claim that she should be accepted as a full member of GATT, and pointed out that Switzerland has an exceptionally high per capita consumption of foodstuffs, one third of which is imported from abroad. Switzerland, he said, would maintain a policy of giving maximum access to the Swiss market - a policy which would ensure ample opportunity to increase the share held by the agricultural exporting countries.

There was no discussion of the views expressed by the Swiss representative and it was decided that the Council would arrange for the consultation with Switzerland, which will be the first to be held.

CONSULTATION WITH YUGOSLAVIA

By the terms of the Declaration of 25 May 1959, under which Yugoslavia entered into a form of association with the Contracting Parties, the latter are required to review annually "the development of mutual relations between Yugoslavia and the other parties (to the Declaration) as well as the possibilities of further progress towards the full application of the General Agreement". The review, which was undertaken by a working party during the seventeenth session, was the first to be held. The review covered (a) the evolution of Yugoslavia's present commercial policy and trading system (including the simplification of the exchange rates structure, the provisional customs tariff which was put into force on 1 July 1960, and import and export controls and restrictions) and (b) plans and prospects for the future development of Yugoslavia's commercial policy. The working party, in its report on the consultation, stated that considerable progress has been made, or is planned, by Yugoslavia towards the formation of a trading system under which Yugoslavia will be able to move into closer association with the GATT. Most of the important measures are, however, still being formulated and will not come into force until next year, the report states.

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During the discussion of this item hope was expressed that Yugoslavia would soon be in a position to become a full GATT member.

**TARIFF REFORMS**

**Turkey.** The Contracting Parties took a Decision which will enable Turkey to put her revised customs tariff into operation and to undertake negotiations or consultations with interested contracting parties promptly thereafter. The process of enactment is expected to be completed in January 1961.

**New Zealand.** At the sixteenth session the Contracting Parties took a Decision to enable New Zealand to apply her new customs tariff simultaneously with its presentation to Parliament, subject to certain conditions including arrangements for negotiations or consultations with interested contracting parties. At the seventeenth session the validity of the Decision was extended, as the final draft tariff will not be available until well into 1961.

**Indonesia.** At the seventeenth session, the representative of Indonesia informed the Contracting Parties that on 24 August 1960 the Indonesian Government introduced new monetary measures and, as a consequence, some modifications of import tariffs had been made. The Indonesian Government was prepared to enter into negotiations with contracting parties concerned as soon as possible. The Contracting Parties decided to remit the matter to the Council.

**FRENCH TRADING ARRANGEMENTS WITH MOROCCO**

France is permitted under the provisions of the General Agreement to maintain certain preferences, including the granting of duty-free tariff quotas for a number of products, with respect to goods originating in the former French zone of Morocco. These arrangements did not, however, include products originating in, or imported from the Spanish zone of Morocco (northern area) and from the "international zone" of Tangier. The Kingdom of Morocco has since been brought into existence and trade between France and Morocco is now being conducted under uniform foreign trade and exchange regulations.

At the seventeenth session, France requested and was granted permission to extend to the whole of the Kingdom of Morocco the special treatment formerly applied to the French zone.

**ITALIAN CUSTOMS TREATMENT FOR IMPORTS OF SOMALIAN PRODUCTS**

At the seventeenth session, the Government of Italy requested, and was granted, authority to continue to grant special customs treatment to a list of products when imported from the Republic of Somalia into Italy. The Republic of Somalia became fully sovereign and independent on 1 July 1960, and during the period when Somalia was under United Nations trusteeship, Italy
had contributed to her political and economic development, and had taken about
three-quarters of Somalia's exports under the special customs regime. Under
the terms of the waiver granted to Italy, she will report in 1963 and again in
1965 on the development of trade in the products for which special treatment
has been granted.

CHILEAN IMPORT CHARGES

At the fourteenth session, in May 1959, Chile was granted a waiver to
allow her to impose surcharges on imports, which are levied in addition to
import duties, as part of her programme to check inflation, balance the budget
expenditures and achieve balance-of-payments equilibrium. These surcharges
were due to be eliminated before 1 January 1961. At the seventeenth session
the delegate of Chile indicated that owing to the earthquake, which had had
serious effects on the Chilean economy, the stabilization programme - of which
the imposition of surcharges is an important part - has to be continued in
substantially its present form beyond 1 January 1961. In these circumstances
Chile was authorized to maintain surcharges, as specified in the Decision of
27 May 1959, provided that all such surcharges are eliminated before 1 January
1962.

PERUVIAN IMPORT CHARGES

At the seventeenth session Peru submitted the second annual report on
steps taken to remove import surcharges on specified products which had been
authorized under a Decision of 21 November 1958 (amended on 17 November 1959),
as part of Peru's stabilization programme. The delegate of Peru stated that
although conditions in Peru showed a change for the better and the withdrawal
of the surcharges had been initiated, Peru had not achieved full recovery;
he therefore requested an extension of time for the complete removal of the
surcharges, beyond the present time limit of June 1961, laid down in the
waiver. The Contracting Parties agreed, in these circumstances, to extend
until June 1962 the date on which all such surcharges are to be eliminated.

DRAFT CONVENTION ON TEMPORARY IMPORATION OF PROFESSIONAL EQUIPMENT

The Customs Co-operation Council (an inter-governmental organization in
Brussels) has prepared a draft international convention on temporary duty-free
importation of professional equipment, including cinematographic and television
equipment. This draft was examined by a group of experts during the seventeenth
session and on their recommendation, the Contracting Parties decided to remit
the draft Convention to the Customs Co-operation Council for finalization.
In so doing, the Contracting Parties transmitted their views and stated that
they recognized the draft convention as an important step towards freeing
international trade from barriers and they believed that certain of its
provisions would be of particular interest to industrially developing
countries.

The draft convention consists of a single convention covering the three
main items: (a) press, television and radio equipment; (b) cinematographic
equipment; (c) professional equipment.

MORE
MEMBERSHIP

During the seventeenth session working groups considered the requests of Argentina and Ireland to accede to the General Agreement.

The Argentine representative indicated that the new customs tariff was in an advanced stage of preparation and that tariff negotiations for accession could only be undertaken when the new tariff had entered into force. As this process was not likely to be completed in time for Argentina to participate in the 1960-61 Tariff Conference the Contracting Parties agreed to the provisional accession of Argentina, pending tariff negotiations which would be initiated at the earliest practicable opportunity after entry into force of the new tariff. In the case of Ireland it was agreed that Ireland will take part in the 1961 tariff negotiations with a view to accession as a full member.

On 16 November 1960 the Declaration on Relations between Poland and the Contracting Parties entered into force, the necessary number of acceptances having been received.

BUDGET

In his opening address the Chairman pointed out that as a result of applications to accede and additions made to the membership in recent years the universal scope and character of the General Agreement had been considerably reinforced. Moreover, the work of the Contracting Parties had over the past few years increased both in scope and in depth. Attention had been drawn at the last session to the importance of undertaking a corresponding strengthening of the organizational arrangements and to the need for a substantial reinforcement of the secretariat. To meet these demands the Contracting Parties agreed, at the seventeenth session, to a very substantial increase in the budget for the year 1961.

MEETINGS IN 1961

The Contracting Parties will hold their eighteenth session from 1-20 May 1961; and their nineteenth session from 30 October to 25 November 1961. The Council will hold its next meeting from 22 February to 3 March 1961. Committee II and Committee III of the programme of trade expansion will meet in March 1961. All meetings will be held in Geneva.
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*Countries marked with an asterisk are contracting parties to GATT.
United Nations
European Economic Community:
   Commission
   Council of Ministers
Customs Co-operation Council
Council of Europe
European Free Trade Association

Note: 1. The following countries have acceded provisionally: Argentina, Israel, Switzerland, Tunisia.

2. The following countries participate in the work of the GATT under various arrangements: Cambodia, Poland, Portugal, Spain, Yugoslavia.

3. The following countries will participate in the Tariff Conference 1961, with a view to full accession: Cambodia, Ireland, Israel, Portugal, Spain, Tunisia.