GENERAL AGREEMENT ON TARIFFS AND TRADE

Eighteenth Session of the Contracting Parties

SURVEY OF THE EIGHTEENTH SESSION OF THE CONTRACTING PARTIES TO
THE GENERAL AGREEMENT ON TARIFFS AND TRADE

The eighteenth session of the Contracting Parties to the General Agreement on Tariffs and Trade was held at Geneva from 14 to 19 May 1961.

The chairman of the session was Mr. W.P.H. van Oorschot, Kingdom of the Netherlands, who is one of the two vice-chairmen of the Contracting Parties.

DECISION TO CONVENE A MINISTERIAL MEETING

On the recommendation of the Council it was decided to invite the Ministers responsible for trade and economic affairs of all Member countries to meet at Geneva at the end of November 1961. The meeting, which will last about a week, will be held during the period of the nineteenth session of the Contracting Parties. The broad subject matter for discussion at the Ministerial meeting arises in the main out of the work done during the past three years in the GATT trade expansion programme, and it is expected that Ministers from every continent, and representing countries in various stages of development will decide to attend this meeting. In view of the significance of the meeting stress was laid on the need for a very thorough preparation of the ground in advance. This will be undertaken in September by the Council of Representatives, and at that time Member countries will put forward specific proposals. These proposals, together with the preparatory work already undertaken by the Contracting Parties in connexion with the trade expansion programme, will provide the material to which the Ministers will address themselves.

PROGRAMME FOR TRADE EXPANSION

Tariff Negotiations. As already announced shortly before the opening of the session the first phase of the 1960-61 Tariff Conference, which was largely concerned with negotiations with the European Economic Community for compensation, under the terms of Article XXIV paragraph 6, has been terminated, and the general (or "Dillon") round of tariff negotiations will open on 29 May 1961. The Tariff Negotiations Committee will meet on that day and will re-constitute itself in order to meet the new circumstances and will proceed to make the arrangements necessary for the conduct of the Dillon negotiations.

The Contracting Parties to the General Agreement, together with other governments and inter-governmental agencies which were represented at the eighteenth session, are listed on the final page of this release.
Committee II, which is concerned largely with the effect of non-tariff measures on trade in agricultural and food products, made its third report shortly before the session. It was agreed, in view of the very recent availability of the report, to postpone discussion until the meeting of the Council in September.

Committee III, which is concerned with obstacles which hinder the expansion of trade by developing countries, will meet again in June and September 1961, when it will establish a progress report.

The reports of both Committees will provide a basic element for the Council of Representatives when it meets in September to prepare for the Ministerial meeting at the end of November.

REGIONAL ECONOMIC INTEGRATION

The Treaty of Rome and the Associated Overseas Territories. It will be recollected that at the twelfth and thirteenth sessions (1957 and 1958) the Contracting Parties concluded that the examination of the Treaty of Rome (which established the European Economic Community) including the association of the overseas territories with the EEC - could not be usefully pursued at that time. It was suggested that the legal questions should be laid aside and that attention should be directed towards the solution of specific and practical problems. At this session, on the initiative of the delegate of Nigeria, a number of countries - in particular those which are producers of tropical products - stated that they had been unable to find solutions during the Article XXIV:6 negotiations to the problems created by the preferential trade arrangements between the Associated Overseas Territories and the Community. They made a strong appeal to the European Economic Community to find appropriate solutions in the course of the Dillon negotiations. In response, the representative of the Commission of the EEC pointed out that trade statistics of the past three years showed that no damage to the trade of third countries had resulted from the closer association of the AOT's with the Community. Nevertheless, the EEC fully appreciated the anxieties of some third countries in this context and was ready to take action if certain interests were really endangered. In conclusion the chairman asked Member States to report to their governments and the representative of the Commission to report fully to the competent authorities of the EEC, so that in framing their future policies they could take fully into consideration the feelings of anxiety and concern which had been expressed. It was agreed that the Council of the Contracting Parties will revert to this matter at an appropriate time.

Examination of EEC common tariff under Article XXIV:5(a). The Tariff Negotiations Committee carried out a review of the common tariff of the European Economic Community, as is required under the terms of Article XXIV, which provides regulations for the setting up of customs unions. The report of the Committee was considered by the Contracting Parties, but for a number of reasons, including differences of view as between the EEC and other contracting parties on the interpretation of the relevant clauses of the Agreement, it was decided to defer consideration of the report and to place the matter on the Council's agenda in September.
EUROPEAN FREE TRADE ASSOCIATION

As is required under the terms of GATT Article XXIV the Agreement creating an association between the Member States of the European Free Trade Association and Finland, signed in Helsinki on 27 March 1961, was submitted to the Contracting Parties for examination. There was no detailed discussion of the Agreement and it was referred for careful scrutiny to a working party which will meet in July and report to the nineteenth session.

In the course of his statement introducing the Agreement between the EFTA and Finland the delegate of Finland referred to the Finno-Soviet Trade Agreement, signed in November 1960, under which Finland will progressively reduce and finally abolish import duties on her imports from the Soviet Union during a seven-year period. He made it clear that this preferential treatment would not be extended to other contracting parties generally. A number of delegates stated the very grave concern of their governments at what was clearly a contravention of a fundamental principle of the General Agreement, namely the most-favoured-nation clause embodied in Article I - a principle on which the whole structure of post-war trade development and expansion had been based. In summarizing the discussion the chairman stressed that a very serious question had been raised and that in order to give time for reflection it would be placed on the agenda of the nineteenth session. He felt sure that the delegate of Finland would have taken note of the concern expressed and he observed that if the trade of Finland with other contracting parties should be affected adversely by this arrangement the parties concerned could seek redress through recourse to the appropriate GATT procedures.

LATIN AMERICAN FREE TRADE ASSOCIATION

In connexion with the consideration of the Montevideo Treaty which will establish the Latin American Free Trade Association, the Contracting Parties were informed that on 2 May 1961 Argentina, Brazil, Chile, Mexico, Peru and Uruguay deposited their respective instruments of ratification, at Montevideo. It was expected that Paraguay would deposit its instrument of ratification in June. It will be recalled that when the Treaty was examined in 1960 the Contracting Parties postponed a final decision pending the discussion of certain questions "in the light of the operation of the Treaty".

TECHNICAL ASSISTANCE FOR NEWLY INDEPENDENT STATES

The Contracting Parties agreed unanimously to offer to newly independent States advice and guidance in formulating their commercial and customs policies. This undertaking to stand ready to offer technical assistance, covering all matters which fall within the competence and jurisdiction of the General Agreement, is being made on the understanding that the country which needs it will take the initiative in asking for assistance. The decision to offer technical assistance was warmly welcomed by representatives of developing countries, who spoke on behalf of newly independent States. In the implementation of this decision there will be close collaboration with other inter-governmental agencies which are active in the field of technical assistance, as well as with other inter-governmental agencies having competence in such aspects of commercial policy as customs tariffs, so as to avoid any possible duplication of effort.

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The Executive Secretary, who took the initiative in proposing this scheme, will now convey to the governments of newly independent States the offer of help which is available to them. Each request for assistance will be considered on an individual basis and the decision will be taken as to the most appropriate way to meet the specific need. Information regarding requests received and the way in which they are being met will be made available in due course.

**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 eighteen months several contracting parties which had 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.

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). Earlier in 1961 the Committee on Balance-of-Payments Restrictions held consultations with Ceylon, Chile, Indonesia, Turkey and the Union of South Africa and reports on these consultations were adopted at the eighteenth session.

**IMPORT RESTRICTIONS MAINTAINED BY CERTAIN COUNTRIES**

**France.** Early in April 1961, on the initiative of the United States, a consultation was held with France regarding products the import of which from the United States remained subject to quantitative import restrictions that were no longer justified for balance-of-payments reasons. Canada, Australia, New Zealand and Israel also participated in the consultation in regard to products of particular interest to them. This consultation was preceded by French liberalization measures taken at the end of 1960 and at the end of March 1961, which effectively removed many products from the discussion. At this session the delegate of France, while not being able to give precise details of further liberalization measures envisaged for the future, expressed a certain optimism regarding the continuing trend of liberalization.

**Italy.** Meeting in Rome from 27 to 29 March a working party appointed in accordance with arrangements agreed at the seventeenth session examined quantitative restrictions on imports maintained by Italy and no longer justified for balance-of-payments reasons. The report, which was adopted at this session, sets out the measures of liberalization which are envisaged by the Italian authorities as well as their intention to report further on the question before
the end of July 1961. In general, satisfaction was expressed at the progress made, but a number of countries indicated their serious concern at the maintenance of restrictions and, in particular, in the application of these restrictions in a discriminatory way against imports from certain countries or areas.

**IMPACT OF COMMODITY PROBLEMS ON INTERNATIONAL TRADE**

The Contracting Parties regularly undertake a review of commodity problems at their autumn sessions and this will be done at the nineteenth session in November. However, the eighteenth session coincided with a meeting of the Interim Co-ordinating Committee for International Commodity Arrangements (ICCICA) to which body the GATT nominates the chairman, currently Mr. L.K. Jha, India. He therefore took the opportunity at this session of giving the Contracting Parties a review of the commodity situation in general, as well as a more detailed account of commodity arrangements for cocoa, coffee, lead and zinc, olive oil, petroleum, sugar, tin and wheat. His statement, together with the annual report of ICCICA will form part of the material for the review of commodity problems at the nineteenth session.

**MARKETING OF BUTTER**

The countries which took part in the consultation on the marketing of butter in the United Kingdom, which was held from 17 to 20 April 1961 (see press release GATT/578), suggested in their report on the consultation that the Contracting Parties at their eighteenth session should consider the means by which conditions in the butter market could be kept under review. The request for the consultation was made by the Government of New Zealand.

At the eighteenth session, the New Zealand representative stated that as yet there was no sign of improvement for the marketing of butter in the United Kingdom and little prospect of improvement in prices above the present level and he stressed the need to keep the butter market under review. He therefore suggested that the original group of countries which took part in the consultation in April should be invited to review the butter market situation from time to time. This was agreed, and they will meet for this purpose at Geneva in the second half of June 1961.

**REVIEW OF ARTICLE XXXV AS APPLIED TO JAPAN**

At the seventeenth session the representative of Japan drew attention to the very serious concern of his Government over the resort to Article XXXV by a number of contracting parties which thereby refrain from undertaking GATT obligations towards that country, and he formally requested that a review of Article XXXV, as applied to Japan, should be undertaken. The Contracting Parties agreed that a review should be held and the Council, at its meeting in March, decided to establish a working party to carry out the review. The working party will conduct the review with particular regard to:

(a) the existing trade relationship between Japan and each of the countries which have invoked Article XXXV;
(b) the effects of the invocation of Article XXXV on Japan's trade and the repercussions on the trade of other contracting parties;

(c) the widespread invocation of Article XXXV vis-à-vis Japan by governments which may, in the future, accede to the GATT under Article XXVI:5(c) or Article XXXIII.

At their eighteenth session the Contracting Parties decided that the working party will meet from 26 August to 6 September 1961.

SUBSIDIES

(a) Article XVI provides that, from time to time, the Contracting Parties will review the operation of the subsidy provisions, as a whole, with a view to examining their effectiveness in the light of experience, in promoting the objectives of the Agreement and in avoiding subsidization which seriously harms the trade of Member countries. To prepare for the first review a Panel was set up in 1958 to examine the extent and range of subsidies maintained by contracting parties, based on the notifications submitted by them.

At the eighteenth session the Panel informed the Contracting Parties that its report is now completed. This report was not discussed in detail and it will form the basis for the review of the subsidy provisions which will be undertaken at the nineteenth session.

(b) In September 1960 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.

At the seventeenth session the Contracting Parties were generally of the view that the time had come to strengthen the subsidy provisions and to put 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 industrial products (paragraph 4 of Article XVI). This Declaration will enter into force when fourteen industrial countries have accepted it.

At the eighteenth session the Executive Secretary reported that instruments of acceptance had so far only been deposited by six countries and he appealed for positive action without further delay by the other parties concerned.
TARIFF REFORMS

Turkey. At the seventeenth session the Contracting Parties took a Decision to enable Turkey to put her revised customs tariff into operation and to undertake negotiations or consultations with interested contracting parties promptly thereafter. At the eighteenth session Turkey requested and was granted an extension of the time-limit to the end of the nineteenth session.

Uruguay. At the eighteenth session Uruguay requested and was granted authority to make an increase in the official valuation ("aforos") on which duty rates are assessed, in order to take account of the change in the value of the Uruguayan peso, which has resulted in a proportionate reduction of the incidence of certain customs duties.

MEMBERSHIP

On 27 April 1961 Sierra Leone became independent. At the request of the Government of that country and of the United Kingdom, which had hitherto applied the Agreement to that territory, Sierra Leone was deemed to be a contracting party as from 27 April 1961, in conformity with Article XXVI:5(c). Sierra Leone is the thirty-ninth country to become a contracting party to the General Agreement.

SCHEDULE OF FUTURE MEETINGS

Contracting Parties: nineteenth session 13 November to 8 December 1961 during which Ministers will meet from . . . 27 to 30 November

Council of Representatives . . . . . . . . . . . 25 September to 6 October 1961
# List of Countries and Inter-Governmental Agencies Represented at the Eighteenth Session

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* Countries marked with an asterisk are contracting parties to GATT.
United Nations

European Economic Community:
  Commission
  Council of Ministers

Council of Europe

European Free Trade Association

International Labour Organization

International Monetary Fund

League of Arab States

Organization for European Economic Co-operation

Food and Agricultural Organization

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 are expected to participate in the Tariff Conference in 1961, with a view to full accession: Cambodia, Ireland, Israel, Portugal, Spain, Tunisia.

END