THE Twentieth session of the Contracting Parties to the General Agreement on Tariffs and Trade was held at Geneva from 23 October to 16 November 1962.

OFFICERS

The Chairman of the session was Mr. W.P.H. van Oorschot, Kingdom of the Netherlands.

At the close of the session the following officers were elected for the ensuing year:

Chairman: Mr. J.H. Warren, Assistant Deputy Minister, Department of Trade and Commerce, Canada

Vice-Chairmen: Mr. W.P.H. van Oorschot, Director-General for Foreign Economic Relations, Ministry of Economic Affairs, Kingdom of the Netherlands

Mr. J.B. Daramola, Federal Government of Nigeria

ADDRESS BY THE CHAIRMAN AT THE OPENING OF THE SESSION

The opening address by the Chairman is reproduced in press release GATT/714.

DECISION TO CONVENE A MEETING OF MINISTERS

(a) The Contracting Parties decided to convene a Ministerial meeting in the early part of 1963 to consider a programme for effective liberalization and expansion of trade in both primary and secondary products. In this connexion, full weight will be attached to the importance and urgency of negotiating solutions to the problems of trade in primary products and to the additional trade problems of less-developed countries. The proposal that such a meeting should be held was made jointly by the Governments of the United States and Canada.

1 The Contracting Parties to the General Agreement, together with other governments and inter-governmental agencies which were represented at the twentieth session are listed at the end of this release.
(b) A precise date for the meeting will be determined by the Council of Representatives.

(c) The Council will be convened for this purpose by the Executive Secretary at the earliest possible date that he feels that the necessary elements exist for arriving at a decision.

(d) In this connexion, due weight will be attached to the fact that in order to enable the United States to play a full part in a further substantial and early movement for the reduction of tariffs and other barriers to trade, it is desirable that the necessary decision to initiate such a movement be taken early in 1963.

(e) The Council will at the same time propose an agenda for the meeting of Ministers and make adequate preparation for the meeting.

COMMITTEE II

Committee II of the Trade Expansion Programme has been concerned with problems of trade in agricultural products. Under the Decision taken by the Contracting Parties on 7 December 1961, on the implementation of the Conclusions of Ministers, Committee II was authorized to consider, when requested, the carrying out of consultations with particular contracting parties on substantial changes in their agricultural policies. In accordance with a request made by the Council at its meeting in May 1962, the Committee carried out a consultation with the European Economic Community to examine the changes in the agricultural policy of the member countries of the Community resulting from the progressive establishment of a common agricultural policy in respect of six groups of products, of which five were examined, namely cereals, pig meat, eggs, poultry, fruit and vegetables. The examination of the policy in respect of the sixth product - wine - was postponed.

The report of Committee II on the consultation with the EEC has been de-restricted and will be published as a brochure in December 1962. The report summarizes the technical discussion on the regulations applying to each group of products examined, and the policy discussion in respect of individual groups of products, as well as the wider policy discussion on the regulations as a whole.

At the outset of the consultation the representative of the EEC introduced the general characteristics and objectives of the common agricultural policy. He stated that the Treaty of Rome required the member States gradually to develop a common agricultural policy. In drawing up this common policy, member States found themselves confronted with the difficult task of aligning six different types of agricultural policy. The five regulations now before the Committee were the first steps in this process. In framing this new system and in the
choice of the instruments necessary for its implementation, the member States had continually kept in mind their international obligations and, in particular, their obligations under the GATT. In his view the system as it had been designed was compatible with the General Agreement.

In respect of the functioning of the system, the representative of the EEC stated that, particularly as regards the extent of protection, the system was not inflexible since the protection depended on the one hand on internal prices, which in the final stage would be one common price, and on the other hand on world prices. This, however, did not apply to fruit and vegetables for which a different framework had been decided.

At the conclusion of the consultation the Committee expressed its gratitude to the representatives of the Community for the opportunity to gain a comprehensive understanding of the systems of the common agricultural policy as had been laid down in respect of the five groups of products examined, but it considered that it was not possible at this juncture to make a final and complete analysis of their effects. It was recognized that the regulations had been operative only for a short period so that no statistical data were available to support the Committee in this part of its examination. The Committee was aware of the fact that the system as regards the five groups of products so far had been only partly developed. Many elements of the present regulations were capable of a certain variety of interpretation and further regulations in respect of many highly important matters were still to be laid down. A common agricultural policy in respect of other products and groups of products was still to be established. The Committee realized that the uncertainty as to a possible enlargement of the European Economic Community greatly contributed to the impossibility of passing a judgment at this stage and that such an enlargement would fundamentally change the whole impact of the common agricultural policy on international trade.

The Committee welcomed the assurance of the representative of the Community that regulations on other products would, as they came into force, be placed before the Committee for examination in accordance with the Decision taken by the Contracting Parties on 7 December 1961.

Exporting members of the Committee felt that a closed market system in which a high level of price support exists, could not fail to generate increased levels of production which in turn were protected by the levy system allied to safeguard measures including a possible embargo on imports. Combined with the element of Community preference to promote a higher level of intra-Community trade, such a situation could only result in eventual displacement of imports from third countries, who could further be penalized by fiercer competition in price in non-European Economic Community markets to the extent that the European Economic Community exported its surpluses with the aid of the refund system. Efficient producers in third countries could not possibly protect themselves against these effects by lowering their own costs. This adverse impact on world trade assumed even greater importance if and as the Six became an enlarged Community. The very size of such a Community as an economic unit, could enable it to dictate the terms of trade in agricultural products to the outside world. The effects on third country producers could be alleviated by the adoption of a low price policy.
The Committee considered that the predominant element in the development of the common agricultural policy and in its impact on international trade was the general price policy to be laid down by the European Economic Community and it noted the statement by the representative of the Community that it was in the interest of the Community to operate a reasonable price policy.

The representative of the Community assured the Committee that safeguard measures would be applied as an exceptional measure and in conformity with undertakings under the GATT. The comments made by exporting members of the Committee would be taken into account and had already suggested a closer supervision of the operation of the regulations. In any event, the regulations could be reviewed by the Community from time to time in the light of experience and, if necessary, modified. The Community also stood ready to consult with third countries jointly or separately regarding any difficulties arising from the implementation of the regulations.

In presenting the report of Committee II to the Contracting Parties, the Chairman of the Committee said that not much could be said at this stage on the impact of the common agricultural policy on international trade, but third countries had been assured of the awareness and of the great responsibilities of the EEC towards other countries. Members of the Committee were also given the assurance that the EEC was ready on the basis of reciprocity, to enter into consultation or negotiation, as regards the general price policy and into consultation on any difficulties arising from the implementation of the regulations.

In the discussion which followed several representatives drew attention to the protective character of the common agricultural policy, through the system of levies. Apprehension was expressed that the common policy would act not only as an affective barrier to imports from third countries, but would lead to distortion of world market prices and to the creation of surpluses in the Community.

Summarizing the discussion the Chairman of the Contracting Parties said that the report of Committee II brought out clearly both the concern of the exporting countries outside the Six and the assurances as to the future given by the Community. Despite these assurances there was uncertainty and anxiety as to the effects of the common agricultural policy particularly in respect of the degree of protection given to Community producers and the fear that the system would foster such increases in production in the member countries as would result in additional quantities of agricultural products flowing on to already depressed world markets. The regulations had not, however, been in force long enough to make a real assessment of their implications. Committee II, the Chairman said, had been unanimous that the key to the future effect of the common agricultural policy on world trade lay in the price policy of the EEC. In conclusion he referred to the willingness expressed by the EEC to enter, on a reciprocal basis, into negotiation and consultation on its general price policy and to refer for examination to Committee II new common agricultural policy regulations or significant changes in the existing regulations.
COMMITTEE III

Committee III of the Trade Expansion Programme has been concerned, since its inception, with the trade problems of the less-developed countries. At its meetings in October and November 1962 the Committee, first of all, examined progress made in the implementation of the Decision of 7 December 1961 (this refers to the Conclusions of the meeting of Ministers and the Declaration on Promotion of the Trade of Less-developed Countries - press release GATT/651). Regarding the removal of quantitative restrictions, it was noted that since the meetings of the Committee in May 1962 there had been a reduction in the number of items on which restrictions were still being maintained by contracting parties, and also in the number of countries maintaining such restrictions on individual products under study in the Committee. The Committee welcomed recent liberalization measures taken by Australia, Austria, France and Japan. Turning to tariff barriers the Committee welcomed the fact that the 1960/61 Tariff Conference had resulted in some 160 bindings or reductions of duties on items of interest to less-developed countries. The Committee also welcomed the fact that certain countries, notably Austria, Italy and Finland in the case of tea, had recently made unilateral reductions in tariffs of benefit to the exports of less-developed countries. In concluding its review of progress, the Committee drew attention to the fact that, in relation to the magnitude and urgency of the task facing the Committee, progress in the removal of obstacles to the trade of less-developed countries had undoubtedly been limited and slow, and had fallen short of the expectations raised by the Ministerial Declaration and Decision of 7 December 1961.

At its meeting during the session a proposal for a Programme of Action was submitted to Committee III by representatives of eighteen GATT countries. This Programme contains seven main proposals (i) a standstill provision on new tariff and non-tariff barriers, (ii) the elimination of quantitative restrictions affecting the exports of less-developed countries by 31 December 1965, (iii) action by industrialized countries which would permit duty-free entry of tropical products into their markets by 31 December 1963, (iv) the elimination of tariffs on primary products important in the trade of less-developed countries, (v) the reduction by at least 50 per cent within a period of three years of tariff barriers to the processed and semi-processed goods of export interest to the less-developed countries, (vi) the progressive reduction of internal charges and revenue duties on products wholly or mainly produced in less-developed countries with a view to their elimination by 31 December 1965 and (vii) the establishment of an annual reporting and consultation procedure by contracting parties on progress made in removing restrictions and providing larger access for the products of less-developed countries.

1 The full text of the Programme of Action proposed by Less-developed Countries is set out as an Annex to the Report of Committee III on the Meetings of October-November 1962. It will be included in a brochure to be published in December 1962.
As this proposed Programme of Action was submitted at the present meeting of the Committee, it was not possible for all members to take a final position on all the specific points contained in it. It was felt that many of these points would be directly relevant to the work of other subsidiary bodies of the Contracting Parties, such as the Special Group on Tropical Products and the Working Party on Tariff Reductions and that, where this was the case, the proposals should be referred to these specialized groups for their urgent attention. The Committee recognized however that the proposals outlined above were in line with the objectives of the Ministerial Declaration of 7 December 1961.

The sponsors of the proposals had requested that they should be brought to the attention of the Ministerial Meeting to be held in 1963 and that therefore they should be studied by the Council which will be concerned with the agenda for that meeting. The Committee recommended this procedure to the Contracting Parties.

In summarizing the discussion of the report in plenary session, the Chairman of the Contracting Parties said that the latest report of Committee III showed that some progress had been made in dismantling barriers to the trade of less-developed countries, but that the Committee had noted that there was still a wide gap between awareness of the problem and steps taken to solve it. The Contracting Parties, in adopting the report of Committee III agreed that the Committee's report including the Programme of Action which is annexed to it, should be given particular attention by the Council when the latter is considering the agenda for the Ministers' meeting in 1963.

Examination of the Second Five-Year Plan of Pakistan

A recent extension of the work of Committee III has been the study of national development plans, and in particular the trade aspects of such plans and the contribution which export industries may make to export earnings during the period of the Plan. The first exercise in this field was the examination of the Third Five-Year Plan of India, which was undertaken in June 1961.

Committee III met from 6-13 November 1962 to examine the trade and payments aspects of the Second Five-Year Plan of Pakistan. In the conclusions to its report the Committee stated that it appeared that the targets which had been set in the Plan were modest in relation to the magnitude of this task and realistic in relation to the resources available to the country. While concentrating its attention on the commercial policy aspects of the Plan and especially on the export potential of the country, the Committee expressed the opinion that the rationale and flexibility of the Plan would create a climate favourable to trading relations with Pakistan.

The Report of the Examination of the Second Five-Year Plan of Pakistan will be included in a brochure to be published in December 1962.
The Committee noted that if the targets of the Second Plan were to be reached, a large amount of foreign assistance for both development and maintenance purposes, would be necessary. The discussion indicated not only the present vital need for foreign assistance but also the importance of the form in which it was made available. The Committee stressed the importance of reducing Pakistan’s dependence on such aid by providing expanding outlets for its exports. It noted with satisfaction that action was being taken by the Government of Pakistan to develop new export products and new markets for their exports. In this connexion the reduction of barriers to semi-processed and processed derivatives of its main export products was of crucial importance. It was recognized that Pakistan would be forced to rely on policies of high-cost import substitution if these barriers were maintained.

Production and marketing techniques

Committee III had some discussions on production and marketing techniques and it was agreed that all contracting parties should be invited to submit papers on this subject. It was felt that industrialized countries, especially those which had already had experience in providing assistance on this subject to less-developed countries, might have a valuable contribution to make and also that it would be useful to have papers from the less-developed countries themselves setting out the difficulties which they had actually encountered.

REGIONAL ARRANGEMENTS

(a) EUROPEAN ECONOMIC COMMUNITY

As on four previous occasions the representative of the Commission of the EEC made a statement concerning the recent developments and achievements of the Community (this statement was reproduced in full in press release GATT/719). The fundamental event, the spokesman said, from the point of view of achieving the economic integration of the six countries, was the decision taken by the Council of the EEC to proceed to the second stage of the Common Market, as from 1 January 1962. In the tariff field the inauguration of the second stage made it possible to determine the dates on which the next three reduction installments in the national tariffs of the member States are to be made as regards intra-Community exchanges, namely 1 July 1963, 31 December 1964 and 31 December 1965 - this without prejudice to any decision that may be taken to speed up this timetable. A further acceleration decision was taken on 15 May 1962, taking effect on 1 July 1962; this meant that on that date the gradual establishment of the customs tariff was two and a half years ahead of the original timetable. After referring to the second step towards the alignment of national tariffs with the common customs tariff, the speaker said that the inauguration of the second stage also meant that the Community had embarked on a decisive programme of action for achieving economic union. This had resulted in a series of measures being adopted so as to achieve the necessary prerequisites for the free movement of workers, the free supply of
services, the free movement of capital and other developments in the fields of social and fiscal matters, transport and competition. The speaker also referred to the first regulation on ententes, which is designed to ensure that benefits occurring from the removal of customs barriers cannot be unduly nullified by distortions of competition.

The achievement of the first stage, as set forth in the Rome Treaty, was made possible through the adoption of the common agricultural policy for a number of important products. This policy, he said, expresses the conviction of the EEC countries that the only way which can provide a solution to the agricultural problem is the way of international solidarity, whatever sacrifice it may entail in the immediate future. (The consultation by Committee II with the EEC on the common agricultural policy is described earlier in this Survey.)

After mentioning the progress made towards the harmonization of commercial policies of the member States with a view to establishing, by the end of the transitional period, the necessary prerequisites for a common commercial policy, the speaker provided a wide variety of statistical data relating to the economic expansion of the Community, commercial relations between the Community and third countries, and in particular the development of imports from less-developed countries.

In the concluding parts of his statement the spokesman for the Commission of the EEC gave a picture of the progress of negotiations with eighteen African and Malagasy States with a view to association. Finally, the speaker said that although the immediate concern of the Community is to meet its special responsibilities with regard to the associated countries, it had never lost sight of the general responsibilities of all industrialized countries regarding the general problem of under-development. "This is not merely a matter of moral duty of plain international justice;........ we must contribute to creating on the international level the essential prerequisites for the balanced development of all countries because we need this balanced development in order to ensure our own progress in the long run," he said.

The ensuing discussion in which many delegations took part showed that, while there was a general welcome for the statement of the Commission's representative, and a recognition of the contribution which the healthy rate of economic growth had made towards the problems of adjustment of third countries, there were several important matters of concern, particularly for less-developed countries and for countries relying heavily on exports of agricultural products. It was recognized that the impact of the EEC on many aspects of international trade and commercial policy would be profound. Fears were expressed that association arrangements between the EEC, whether in its present or in an enlarged form, would result in preferential arrangements which could be discriminatory in effect. Stress was laid on the need for the EEC to pay fair prices for primary products and to provide access to the market for simple
there was great potential power of the EEC to benefit the trade of less-developed countries through the lowering of tariffs, the removal of internal taxes on products of particular interest to less-developed countries, and the adoption of a liberal commercial policy.

**Association of Greece with the European Economic Community**

A Working Party was set up at the nineteenth session to examine the provisions of the Agreement creating an Association between Greece and the Community. The Agreement was signed on 9 July 1961 and came into force on 1 November 1962. At the twentieth session the Contracting Parties noted with satisfaction that the parties to the agreement are ready to furnish information as the evolution of the Association proceeds.

(b) **EUROPEAN FREE TRADE ASSOCIATION**

On behalf of the Seven member States of the European Free Trade Association the representative of Norway, who is Chairman of the EFTA Council, submitted the second report on the progress made in implementing the Stockholm Convention. The report states that important steps have been taken in the past year towards the achievement of an economically united Europe. At the present time the United Kingdom, Denmark and Norway are negotiating with the EEC to join the Community as full members; Austria, Sweden and Switzerland have applied for negotiations for association with the Community; Portugal has informed the Community that she wishes to establish, as soon as possible, an adequate form of collaboration with the Six. The report refers to the several decisions to accelerate the timetable for tariff reductions between member States; the total by which the basic duties have been reduced, since the Association began on 1 July 1960, is 50 per cent. The report also refers to reductions which have been made in the protective elements of a number of revenue duties; on 1 July 1962 the third general relaxation of remaining quantitative restrictions in the industrial sector was made; export duties and quantitative export duties were abolished at the end of 1961.

The report also gives information for the first time about the progress made in implementing the Association Agreement creating a free-trade area between the members of EFTA and Finland; the Joint Council, established under the provisions of the FIHFTA agreement, has taken the necessary decisions by which all the arrangements which the EFTA countries have made among themselves in the trade field are also applied between the EFTA countries and Finland.

(c) **LATIN AMERICAN FREE TRADE ASSOCIATION**

On behalf of the member States of the Latin American Free Trade Association the representative of Brazil provided information on recent developments in the LAFTA. As regards the provisions of the Treaty of Montevideo relating to duties and charges, negotiations have been conducted on a multilateral basis.
between the original signatories to the Treaty - Argentina, Brazil, Chile, Mexico, Peru, Paraguay and Uruguay. For the purpose of the accession of Colombia, which took place in the latter part of 1961, a special conference was held early in 1962 in which the first round of negotiations was completed, extending to Colombia on a reciprocal basis the concessions exchanged between member States. On other matters connected with the formation of the Area resolutions were adopted on (a) definition of frontier traffic (b) definition of "dumping" and other unfair trading practices (c) criteria for determining the origin of goods included in the liberalization programme (d) establishment of a tariff nomenclature. Later in 1962 Ecuador was enabled to accede to the Treaty, with a status of a country in a relatively less advanced stage of economic development.

Information was provided on the second conference of the member States currently in progress in Mexico City. A second series of negotiations for the reduction or elimination of duties and charges is taking place. Much progress has been made in the work on customs nomenclature. A wide range of problems are under study which reflect the intention of proceeding with the formation of the Area, notwithstanding the difficulties encountered by an organization which comprises countries with different economic structures, all being countries in the process of development, including some which are relatively less-developed.

(d) CENTRAL AMERICAN TRADE AREA

Nicaragua, the only party to the General Treaty for Central American Economic Integration (of 10 December 1960) which is also a contracting party to GATT, submitted a report on her trade, during the period 1 July - 31 December 1961, with the other Central American countries. It was agreed that since the information at present available on this free-trade area was, unavoidably, in view of the complex treaty situation, somewhat limited, it was desirable to await a more comprehensive report from Nicaragua in 1963.

(c) AFRICAN COMMON MARKET
Ghana/Upper Volta Trade Agreement

Before the start of the session the Government of Ghana transmitted to the Contracting Parties the text of the Treaty establishing an African Common Market, for examination in accordance with Article XXIV. The Treaty, which was signed in Cairo on 1 April 1962, establishes a common market among six African countries, namely, Algeria, United Arab Republic, Ghana, Guinea, Mali and Morocco. The Government of Ghana also transmitted the text of the Ghana/Upper Volta Trade Agreement, signed in June 1961.

A Working Party was established to examine the above Treaty and Agreement and it will report to the Council early in 1963.
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. 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). In 1962 the Committee on Balance-of-Payments Restrictions has held consultations with Brazil, Ghana, Greece, Israel, Denmark, India, Japan, New Zealand, Pakistan, South Africa and Uruguay. These consultations deal with the nature of the balance-of-payments difficulties, any alternative measures that might be available and the effects of the restrictions on the economy of other contracting parties. Reports on these consultations were adopted at this session and a programme for consultations in 1963 was established.

RESIDUAL IMPORT RESTRICTIONS

At the seventeenth session, in 1960, the Contracting Parties adopted procedures for dealing with import restrictions which were no longer justified under the terms of the General Agreement. These procedures were adopted on a provisional basis and have at this session been the subject of a review. It was decided at this session that governments should be urged to respond more fully to the invitation, as contained in the Procedures, to communicate to the Executive Secretary their lists of the import restrictions which they are applying contrary to the provisions of the GATT.

IMPACT OF COMMODITY PROBLEMS ON INTERNATIONAL TRADE

At each autumn session since 1957 the Contracting Parties have reviewed the trends and developments in international commodity trade during the year. Traditionally the review is based upon a report presented by the Chairman of the Interim Co-ordinating Committee for International Commodity Arrangements. At this session the discussion showed that there was general concern regarding the continued fall in commodity prices and that for certain commodities both the price level and the volume of trade were far from satisfactory. Exporting and importing countries had recently shown an increasing readiness to co-operate in the finding of solutions to international commodity problems. Special reference was made to the International Agreement on Coffee and to the proposed cocoa conference, and the feeling was expressed that the Coffee Agreement was a big step forward. Delegations welcomed the careful attention which is being given to the question of the fluctuation of commodity prices by the competent international organizations.
By the appointment of a technical group, which will meet in Geneva next month, the Economic and Social Council is making a serious study of the possibility of providing assistance, through compensatory financing or an insurance fund, for countries exporting primary products and which suffer from instability of export earnings. It was also noted with satisfaction that the international financial agencies are accorded a higher priority to the balance-of-payments problems of developing countries. In his concluding remarks the Chairman pointed out that the Contracting Parties are not inactive in this field of commodity trade. As in previous years many of the crucial commodity problems are receiving continued attention in Committees II and III.

**DISPOSAL OF COMMODITY SURPLUSES**

This item, which has been on the agenda regularly since 1955, was broadened in recent years to cover both the disposal of surpluses and the liquidation of strategic stocks, and at the nineteenth session contracting parties were requested to submit reports on any action taken during the past year in disposing of commodity surpluses, in liquidating strategic stocks or in disposing of stocks otherwise held by Government agencies. Reports were received from Australia, Canada, the United Kingdom and the United States.

The discussion on this item indicated that, so far as surpluses of food products are concerned, their disposal should be arranged in such a way as to avoid the disruption of normal trade channels; the aim must be to move such surpluses to regions where there is a present need for them, while at the same time maintaining and increasing commercial trade in these commodities upon which many contracting parties, including less-developed countries, are so dependent. Appreciation was expressed at the way in which the United States had complied with the consultation procedures. Turning to releases from stockpiles of industrial raw materials, some delegations stressed that the timing and announcements of releases should be made in such a manner that the effect on international markets will not lead to the lowering of prices. It was vitally important that there should be adequate consultation on the disposal of materials from strategic stockpiles. Whereas in the field of agriculture the consultation procedures seemed to be working well, it was equally important for the right procedures to be found for dealing with disposals from stockpiles. It was agreed to maintain this item on the agenda for next year.

**APPLICATION OF ARTICLE XXXV TO JAPAN**

This item was included in the agenda to enable the Contracting Parties to continue the review of the operation of Article XXXV with respect to Japan, which was initiated in 1961. At this session the representative of Japan said that the helpful atmosphere created when this subject was discussed at the Ministerial Meeting in November 1961 had already borne fruit to some extent,
in that New Zealand, Ghana, Cuba and Tunisia had already disinvoked the application of Article XXXV against Japan. It was gratifying for him to report that the Treaty of Commerce and Navigation, signed between Japan and the United Kingdom on 14 November 1962, provides for the withdrawal by the United Kingdom of its invocation of that Article. On the other hand, he referred to the increase of the number of governments newly acceding to GATT under Article XXVI, paragraph 5(c) maintaining the application of Article XXXV formerly applied on their behalf, as in the case of Trinidad and Tobago and of Uganda. As regards the Benelux countries, he was convinced that they would disinvoke, following the satisfactory completion of bilateral negotiations. As for France, it was particularly encouraging that an understanding had been reached between the two countries to the effect that both Governments will endeavour to solve pending questions in connexion with the General Agreement on the basis of the principle of non-discrimination. With regard to Australia, negotiations for the revision of the Japan-Australia Trade Agreement had been started, and he hoped that this would lead to bringing of GATT relations between the two countries into full play. He asked the Government of South Africa to give favourable consideration to the withdrawal of discriminatory treatment against Japan. Finally, he said that without the complete solution to the Article XXXV question Japan would have a certain difficulty to participate to the full extent in the next general round of tariff negotiations based on an idea of linear reduction. He suggested that this question should be taken up at the forthcoming meeting of Ministers.

CANADIAN IMPORT SURCHARGES

On 25 June 1962 the Government of Canada notified the Contracting Parties that it had taken measures to safeguard its external financial position and its balance of payments, including the imposition of temporary import surcharges of 5, 10 and 15 per cent on certain categories of products. The Council met on 11 and 12 July to consider the problems arising from this situation. The Council decided that this was an important matter, warranting a further, comprehensive examination by the Contracting Parties at the twentieth session, in the light of circumstances at that time.

At the twentieth session the matter was referred to a special group for a factual examination. After the Group's report had been adopted the Contracting Parties took a Decision in which they express their regret that the Government of Canada should have found it necessary to introduce temporary measures inconsistent with Article II of the General Agreement, and welcome the beginning made by Canada in the elimination of the temporary surcharges and the stated intention of the Government of Canada to eliminate the remainder as quickly as circumstances permit. They recommend that the remaining surcharges be eliminated expeditiously and request the Government of Canada to report on action taken to this end through the Council in the early part of 1963.
REPORTS UNDER WAIVERS

1. Belgium. The waiver (granted in 1955), enabling Belgium to maintain certain import restrictions will expire at the end of 1962. A Working Party was appointed to examine the present situation with the Belgian delegation. It expressed its disappointment on learning that some of the restrictions are likely to be retained after the expiry date. When the report of the Working Party was adopted the representative of Belgium said that every effort would be made to remove these restrictions by the end of 1962.

2. Germany. A waiver was granted to the Federal Republic of Germany in May 1959, authorising the maintenance of quantitative restrictions on imports. The waiver, which envisaged the progressive elimination of the remaining restrictions, expired at the close of the twentieth session. During the session a Working Party carried out a consultation with the Federal Republic. The Working Party noted that over the life of the waiver the number of items subject to quantitative restrictions had been considerably reduced, but that a significant number of restrictions, on both industrial and agricultural products, will be maintained after the expiry of the waiver. These residual restrictions will be notified to the Contracting Parties in accordance with established procedures. For certain lists of products dates have been set for liberalization; for others no dates have been specified.

3. United States. Under the waiver of March 1955 the United States submitted its eighth annual report on import restrictions in effect under Section 22 of the United States Agricultural Adjustment Act and this was examined in a Working Party. The Report, which has been derestricted, sets out the steps taken by the United States towards solving the problem of agricultural surpluses and the actions taken to increase consumption both at home and abroad. It examines in detail the situation concerning wheat and wheat products, cotton and cotton waste, peanuts and dairy products. In each case the need for continuing the quotas and the steps taken to solve the problem of surpluses are explained. In reviewing action taken by the United States Government under the waiver since the last report, the Working Party noted that the United States had found it possible to remove import quotas on a few commodities (tung nuts, tung oil), while the annual import quota for blue mould cheese had been increased from 4 to 5 million pounds. The Working Party noted that the possibility of renouncing the waiver was not at present under consideration by the United States Government on the grounds that economic conditions had not changed since the waiver was granted. In the Working Party and in plenary session delegates, in particular those representing countries whose exports of agricultural and dairy products are frustrated by the United States import restrictions, expressed considerable disappointment at the slight progress made in relaxing the import restrictions on various products covered by the waiver. The United States representative stated that the views expressed, including the suggestions concerning the possibility of renouncing the waiver, would be brought to the attention of appropriate officials.
4. **Peru.** In November 1958 Peru was granted a waiver which enabled that country to introduce surcharges on imports as an emergency measure to meet balance-of-payments difficulties. Since that time the economic situation has improved, and at this session the delegate of Peru stated that it was his Government's intention gradually to eliminate the surcharges and to terminate their application by 30 April 1963.

5. **Chile.** In May 1959 Chile was authorized to impose surcharges which were additional to the import duties specified in the Chilean Schedule. In view of the difficulties facing that country's economy, including its monetary reserves and balance of payments, Chile was, at the nineteenth session, granted an extension of permission to maintain the surcharges to the end of 1962. Recently, important changes were made in the exchange system of Chile and simultaneously modifications were made in the system of import surcharges. In order to give more time to examine all aspects of the new situation it was agreed, at this session, to extend the permission until this examination could be completed, which should be not later than 30 June 1963.

6. **Nicaragua.** In 1959 a waiver was granted to Nicaragua permitting an increase of certain bound rates of duty in order to help to restore a sound balance-of-payments position. This waiver had expired on 30 June 1962. Thirty-six of the thirty-nine duty increases were made permanent under a Decision taken in 1961, in connexion with the harmonization of the customs tariff by members of the Central American Free Trade Association. At this session it was agreed to extend a waiver for the remaining three items until 30 November 1963.

7. **Ceylon.** By a Decision of 10 April 1961 the Contracting Parties granted Ceylon a waiver to apply a temporary increase in customs duties, as an emergency measure to overcome the threat to its monetary reserves. The additional duty was to be eliminated not later than 31 December 1962. In order to safeguard its monetary reserves Ceylon found it necessary to maintain the temporary duty increases and to introduce certain new measures, including a temporary increase by 20 per cent ad valorem in the customs duties on a number of tariff items. At this session Ceylon was authorized to maintain the increased duties specified in the Decision of 10 April 1961 and to apply the newly-imposed increase of 20 per cent up to a terminal date of 31 December 1964.

**FRENCH IMPORT RESTRICTIONS**

The United States Government requested the Contracting Parties to consider, pursuant to paragraph 2 of Article XXIII, import restrictions applied by the Government of France to a list of products on which the European Economic Community had given tariff concessions to the United States in the recently concluded negotiations under GATT (the Dillon round).
The matter was referred to a Panel which reported its findings to the Contracting Parties. The Panel suggested that the Contracting Parties should recommend to the French Government the withdrawal of restrictions inconsistent with Article XI, with particular reference to restrictions on the products specifically referred to by the United States Government, and that the Contracting Parties should recommend to the United States Government that it should refrain, for a reasonable period, from exercising its right, under the procedures of paragraph 2 of Article XXIII, to propose suspension of the application of equivalent obligations or concessions. The Contracting Parties accepted these suggestions and adopted the Panel's report.

RECOURSE TO ARTICLE XXIII BY URUGUAY

In October 1961 the representative of Uruguay drew the attention of the Council of Representatives to the trade problems of countries producing primary products of the temperate zone, both as regards the limited marketing opportunities available to them and the failure of the prices of their products to be maintained at a satisfactory level. At the nineteenth session, in November 1961, the representative of Uruguay said that his Government would have recourse to Article XXIII in respect of twelve countries in Europe, two countries in North America and Japan. In February 1962 the Council appointed a Panel to examine the cases referred to it by Uruguay. At the twentieth session the Panel submitted and the Contracting Parties adopted a report on the Uruguayan recourse to Article XXIII with respect to each of the fifteen contracting parties. In respect of each country the Panel made certain suggestions or comments, and in some of the cases the Panel proposed recommendations in accordance with the provisions of Article XXIII. The Panel took the view that if the suggestions relating to health regulations were fulfilled by the countries concerned, an important contribution would have been made to the solution of the difficulties faced by Uruguay.

EXPORTS OF POTATOES TO CANADA

On 16 October 1962 the Canadian Government introduced a value for duty (determined according to certain statutory requirements) in respect of fresh potatoes imported into western Canada. The United States Government complained against the imposition of these measures which resulted in a charge additional to the specific duty which had been fixed as a binding in 1957 by Canada as a tariff concession to the United States on potatoes. At the twentieth session the United States complaint was referred to a Panel and on the basis of the Panel's report the Contracting Parties recommended to the Canadian Government to withdraw the extra charge on imports of potatoes or to make any other satisfactory adjustment of the impaired benefit accruing to the United States. The Council was authorized to deal with the matter if the United States, in the light of developments, considers it necessary to raise it again.

MORE
CONSULAR FORMALITIES

Ten years ago, in 1952, the Contracting Parties recommended to governments that consular formalities should be abolished. At the nineteenth session in 1961 a Panel of Experts was appointed to survey the consular formalities which were still maintained by certain contracting parties and to recommend ways and means of ensuring their simplification and elimination. On the proposal made by the Panel, the Contracting Parties adopted at this session a Recommendation which stresses that the abolition of consular formalities would make a substantial contribution to the reduction of trade barriers and recommends contracting parties still maintaining consular requirements to remove them. Governments still requiring consular formalities are invited to report to the twenty-first session on the reason for such maintenance and on future policy in this matter.

RELATIONS OF LESS-DEVELOPED COUNTRIES TO THE WORK OF THE GATT

In the course of the session a proposal was put forward by the United States suggesting that it would be desirable to examine ways and means by which less-developed countries which are not now parties to GATT, but consider that GATT is the appropriate place to deal with trade problems, may contribute to and participate in the work of GATT of particular interest to them. In view of the shortness of time and the importance of the matter involved, it was decided to refer this question to the Council for examination.

REQUEST FOR ACCESSION BY THE UNITED ARAB REPUBLIC

In May 1962 the Government of the United Arab Republic formally notified its desire to accede to the General Agreement. The Council set up a Working Party to examine the request. The Working Party examined the commercial policy and trade arrangements of the United Arab Republic. It was apparent to the Working Party and to the United Arab Republic that it would not at present be practicable for tariff negotiations to take place between the United Arab Republic and contracting parties for the former's definite accession under Article XXXIII. The Working Party recommended that arrangements should be made for provisional accession, pending an appropriate time for negotiations leading to definite accession. Accordingly the Contracting Parties, on 13 November, approved the text of a Declaration on Provisional Accession, which is now open for acceptance.

PROVISIONAL ACCESSION OF YUGOSLAVIA

At the meeting of the Council in May 1962 the representative of Yugoslavia announced his Government's intention to seek provisional accession which would serve as the basis for a final solution of its relations with GATT, thus forming a substantial advance on the form of association provided under the Declaration of 25 May 1959. Yugoslavia's request was examined in the Working Party which undertook the third annual review under the above-mentioned Declaration.
The Yugoslav delegation explained that Yugoslavia's Provisional General Customs Tariff had been introduced very recently and consequently the adoption of a definitive tariff would take some time. While Yugoslavia wished to enter into tariff negotiations with contracting parties as early as possible, some time would elapse before these could be started. In the meantime the Yugoslav Government wished to establish the closest association with contracting parties which was possible without the conclusion of tariff negotiations. It would therefore wish to be governed by an instrument providing for all the rights and obligations which would normally be provided for in a protocol of accession, except that Yugoslavia would have no direct rights with respect to the tariff schedules annexed to the GATT.

The Working Party took note of the developments in the Yugoslav trading system and its commercial policy arrangements. In general, the Yugoslav Government considered that, in the Yugoslav economy, competition was positively provided by law and was effectively enforced throughout the economy. The trading enterprises enjoyed full autonomy, not only in their daily operations but also in the formation of their trading policies. To sum up, the Yugoslav Government would accept all the obligations of the GATT, apart from those provided for in Article II, under terms similar to those provided for in a protocol of accession.

In the light of this assurance the Working Party recommended and the Contracting Parties agreed to draw up a Declaration on the Provisional Accession of Yugoslavia. The Declaration was opened for acceptance on 13 November.

RELATIONS WITH POLAND

Under the Declaration of 9 November 1959, which enables Poland to have a form of association with contracting parties, the Contracting Parties review annually the implementation of the provisions of the Decision. The First Review was undertaken by a Working Party in February 1962 and was submitted to the Council in May. When the report of the Working Party was discussed at this session, the representative of Poland stated that the review had been a very fruitful one. The expansion of Polish foreign trade in the first half of 1962 was at substantially the same level as in the previous year, when it had increased by about 11.5 per cent; imports from developing countries rose by almost one third in the first half of 1962. Poland recognized that its participation in the work of the Contracting Parties was one of the best ways to mutual understanding and commercial co-operation with other countries, regardless of differences in their economic and political systems. The arrangement by which Poland had been able to co-operate in the work of the Contracting Parties was a transitional one; his delegation hoped that the day would come when Poland would attain full membership.
NEWLY-INDEPENDENT STATES

Fifteen French-speaking States in Africa became independent in 1960. They continue to apply the GATT to their trade with the contracting parties on a de facto basis, pursuant to the Recommendation of 18 November 1960. Under the Recommendation adopted at the nineteenth session each of them asked for an extension for a further year. Thus under existing arrangements they are expected to decide on their future relations with GATT at various dates during 1963. Some of these countries have indicated that some of the complex problems which they have to resolve in their trade relationships are not likely to be settled within these time limits. To meet this situation the Contracting Parties decided to grant a further extension of de facto application of GATT to these countries, and at the same time to arrange for them a uniform time limit, i.e. up to the end of the autumn session next year, so that the status of this group of countries may be examined at that time.

MEMBERSHIP AND RELATED MATTERS

Admission of new States as contracting parties

On 23 October the Contracting Parties adopted two Declarations which, under the terms of paragraph 5(c) of Article XXVI deem Trinidad and Tobago to be a contracting party to GATT as from 31 August 1962; and Uganda to be a contracting party as from 9 October 1962. The accession of these two countries increased the number of contracting parties to GATT from forty-two to forty-four.

Provisional accession

The opening of Declarations on the Provisional Accession of the United Arab Republic and Yugoslavia is described earlier in this Review.

The Declaration of 18 November 1961, providing for the provisional accession of Argentina, is due to expire at the end of 1962. A Decision was taken to prolong this Declaration until Argentina accedes under the provisions of Article XXXIII, or until 31 December 1964, whichever is the earlier.

Participation in the work of the Contracting Parties

The Decision of 4 June 1960 inviting Spain to participate in the work of the Contracting Parties was extended (since tariff negotiations between Spain and contracting parties with a view to accession had not been completed) until Spain accedes under the provisions of Article XXXIII or until 31 July 1963, whichever date is the earlier.

BUDGET

The budget for the year 1963 amounts to $1,231,700 as compared to $1,124,750 for 1962.

TWENTY-FIRST SESSION

The twenty-first session of the Contracting Parties will be held from 22 October to 15 November 1963.
LIST OF COUNTRIES AND INTERGOVERNMENTAL AGENCIES REPRESENTED AT THE TWENTIETH SESSION

1. Contracting parties to the GATT (44)

<table>
<thead>
<tr>
<th>Country</th>
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<tbody>
<tr>
<td>Australia</td>
<td>Greece</td>
<td>Peru</td>
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<tr>
<td>Austria</td>
<td>Haiti</td>
<td>Portugal</td>
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<tr>
<td>Belgium</td>
<td>India</td>
<td>Federation of Rhodesia</td>
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<tr>
<td>Brazil</td>
<td>Indonesia</td>
<td>and Nyasaland</td>
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<td>Burma</td>
<td>Israel</td>
<td>Sierra Leone (not represented)</td>
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<tr>
<td>Canada</td>
<td>Italy</td>
<td>South Africa</td>
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<td>Ceylon</td>
<td>Japan</td>
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<td>Chile</td>
<td>Luxemburg</td>
<td>Tanganyika</td>
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<tr>
<td>Cuba</td>
<td>Federation of Malaya</td>
<td>Trinidad and Tobago (not represented)</td>
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<tr>
<td>Czechoslovakia</td>
<td>Kingdom of the Netherlands</td>
<td>Turkey</td>
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<tr>
<td>Denmark</td>
<td>New Zealand</td>
<td>Uganda</td>
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<tr>
<td>Dominican Republic</td>
<td>Nicaragua</td>
<td>United Kingdom of Great Britain and Northern Ireland</td>
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<tr>
<td>Finland</td>
<td>Federation of Nigeria</td>
<td>United States of America</td>
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<tr>
<td>Finland</td>
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<td>Uruguay</td>
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<td>Ghana</td>
<td>Norway</td>
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<td>Pakistan</td>
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2. Countries which have acceded provisionally

<table>
<thead>
<tr>
<th>Country</th>
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<tbody>
<tr>
<td>Argentina</td>
<td>Switzerland</td>
<td>Tunisia</td>
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</tbody>
</table>

Arrangements have been made for the provisional accession of the United Arab Republic and Yugoslavia in the near future.

3. Countries which participate in the work of the Contracting Parties under special arrangements

<table>
<thead>
<tr>
<th>Country</th>
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<tbody>
<tr>
<td>Cambodia</td>
<td>Poland</td>
<td>Spain</td>
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</tbody>
</table>

Cambodia is expected to accede before the end of 1962. Spain is expected to accede in 1963.

4. Countries represented by observers (32)

<table>
<thead>
<tr>
<th>Region</th>
<th>Country</th>
<th>Country</th>
<th>Country</th>
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</thead>
<tbody>
<tr>
<td>Europe</td>
<td>Ireland</td>
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<td>Asia</td>
<td>Iran</td>
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<td></td>
<td>Korea</td>
<td>Syria</td>
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</tr>
</tbody>
</table>
Africa:
Algeria
Cameroon
Central African Republic
Chad
Congo (Leopoldville)
Dahomey
Gabon
Ivory Coast
Libya
Madagascar
Mauritania
Morocco
Niger
Senegal
Somalia

America:
Colombia
Costa Rica
Ecuador
Guatemala
Jamaica
Mexico
Panama
Venezuela

Intergovernmental Organizations
European Economic Community
Commission
Council of Ministers
European Free Trade Association
European Coal and Steel Community
High Authority
Council of Europe
Customs Co-operation Council
International Labour Organisation
International Monetary Fund
League of Arab States
Organization of American States
Organisation for Economic Co-operation and Development
African and Malagasy Organization for Economic Co-operation
United Nations