Subjects discussed:

1. Adoption of agenda
2. German Import Restrictions
3. Administrative Questions
4. Arrangements for Thirteenth Session
5. Panels of Conciliation
6. United States Action under Article XIX
7. Italian Discrimination against Imported Agricultural Machinery
8. French Assistance to exports of Wheat and Flour
9. European Coal and Steel Community
10. European Economic Community
11. European Free-Trade Area
12. Article XXVIII Negotiations
13. New Zealand Consultations under Articles XII and XIV
14. Request by Denmark for Authority to enter into Renegotiations
15. Next Meeting of the Committee

1. Adoption of agenda

The CHAIRMAN introduced the agenda as distributed in IC/769 for approval.

The Agenda was adopted.
2. German Import Restrictions

The Chairman recalled the developments since the consultation with the Federal Republic of Germany on import restrictions under Article XII in June 1957 (L/644). The consultation had brought out that, consequent upon the findings of the IMF, the Federal Republic's restrictions no longer fell under Article XII. At the Twelfth Session, after discussion, both in Plenary Meetings and in a Working Party, of the problems raised by the declared intention of the Federal Government to continue to apply import restrictions on a range of items, the CONTRACTING PARTIES had decided to postpone consideration of further action until the present meeting with a view to allowing time for reflection. As requested by certain delegations at the Twelfth Session, the German Government had sent to each of them a Note Verbale setting out its current position. This Note Verbale had been circulated to all CONTRACTING PARTIES for their information (L/799).

The representative of the Federal Republic of Germany stated that after the completion of the liberalization programme which his Government had announced at the Twelfth Session, import restrictions would only apply to items which, on the basis of 1956 figures, constituted 18 per cent of German imports. Of this amount 11 per cent concerned commodities covered by the Marketing Laws; the other 7 per cent related partly to industrial goods (2 per cent) and partly also to agricultural and food products (5 per cent). His Government had transmitted to the secretariat a document setting out the legal basis of the standpoint it had adopted on the Marketing Laws (L/807). While acknowledging that the maintenance of quantitative restrictions on the commodities not covered by these laws would not be in harmony with the provisions of the General Agreement, his Government hoped that the CONTRACTING PARTIES would understand and take into account the difficult problems with which the Federal Republic was confronted at present. It did not appear appropriate to have recourse to the waiver provisions of the General Agreement to deal with these residual restrictions, for these procedures only afforded temporary remedies, whereas the nature of the current problems, whether they would be transient or more or less permanent, could not at
present be assessed. The Federal Government was fully prepared to enter into consultations with those contracting parties who believed that their interests were impaired by the continued application of these restrictions.

In the ensuing discussion, in which the representatives of Australia, Brazil, Canada, Ceylon, Czechoslovakia, Ghana, India, Japan, New Zealand, Norway, Pakistan, the Federation of Rhodesia and Nyasaland, the Union of South Africa, the United Kingdom and the United States participated, the general view was expressed that it was a cause of profound disappointment that in spite of the representations which had been made at the Twelfth Session, the German Government had confirmed its intention to maintain import restrictions inconsistently with the General Agreement and had rejected the use of special procedures provided for such cases. The attitude of the Federal Government was all the more surprising in view of the liberal trade policies which it had so far followed and which had contributed to the impressive recovery of the German economy. The problem which arose from the continued application by the Federal Republic of import restrictions was not only technical; nor was it merely a question of determining the extent of the damage caused to other contracting parties, important as this might be for some countries: a fundamental principle was at issue, the disregard of which would undermine the very structure of the General Agreement and threaten the free multilateral trading system which the CONTRACTING PARTIES had endeavoured to establish. Should a major trading country like the Federal Republic ignore the rule of law in international trade, the world might witness a return to the dire economic anarchy of the 1930's. If the immediate removal of some of the remaining restrictions presented intractable difficulties, the Federal Government should avail itself of the "hard core" waiver provisions, which it had played a considerable part in working out at the Review Session, or should have recourse to the general provisions of Article XXV. Bilateral negotiations with contracting parties who believed that their rights under the General Agreement were being impaired presented no satisfactory solution. Indeed, the Federal Republic's breach of the Agreement affected all contracting parties in principle and most in practice and therefore required joint action.
Many representatives considered that in any case, there was nothing in the General Agreement which might justify the continued discriminatory application of the remaining restrictions.

The representatives of Denmark and Sweden, however, for reasons which they had already expounded during the discussions at the Twelfth Session, considered that the CONTRACTING PARTIES should not, at this stage, pass final judgement on the issue. The Federal Republic should progressively relax its remaining restrictions and until the CONTRACTING PARTIES could take definitive decisions, individual contracting parties affected by the maintenance of the restrictions could have recourse to bilateral consultation procedures with a view to alleviating the harmful effects of the restrictive measures. The representative of France was of the opinion that, unless the CONTRACTING PARTIES satisfied themselves with expediens, the granting of ad hoc waivers provided no answer to widespread and persistent problems such as those occurring in the agricultural field.

At the end of the discussion the Committee decided to reconstitute the Working Party on German Import Restrictions set up at the Twelfth Session with the specific task, however, of examining the contention of the German Government that by virtue of paragraph 1(a)(ii) of the Torquay Protocol Germany's obligations under the General Agreement did not prevent the application of restrictions pursuant to the Marketing Laws. Nicaragua was substituted for the Dominican Republic as a member of the Working Party.

The report of the Working Party will be issued separately. Further discussion in the Committee will be reported in this summary.

The Committee's conclusions on aspects of the questions not referred to the Working Party will be added to the record after the final discussion of this item.
3. Administrative Questions

The Committee considered the proposals put forward by the Executive Secretary in his confidential note of 17 April 1958 based upon the recommendations formulated by the Review Board on the grading of posts in the Manning Table for 1958.

The Committee approved the recommendations of the Executive Secretary and authorized him to put into effect the proposed changes in the Manning Table for 1958 and in the appropriations for Established Posts (L/756 - Part II, Section 1 (i)), and to make any necessary drawing from the Working Capital Fund as may be required to cover this additional expenditure which has been estimated at $4,450.

As a result of the decision on grading of posts, the Executive Secretary informed the Committee that he would not pursue the Scheme referred to in paragraphs 42 and 43 of the Report of the Budget Working Party Report (L/756) but follow the recommendations of the General Assembly of the United Nations based upon the report of the Salary Review Committee.

It was then recalled that at the Twelfth Session the Executive Secretary had entered a reservation on giving effect to what the CONTRACTING PARTIES had agreed to in respect to his own and the Deputy Executive Secretary's position (SR.12/2C). Consequent to the above decisions the circumstances that give this reservation no longer obtained and the CHAIRMAN therefore requested that the reservation be withdrawn. The Executive Secretary acceded to this request.

The Committee expressed its thanks to the Review Board for the excellent work done in connection with the review of the posts of professional officers in the Manning Table for 1958 and noted that a further report relating to paragraphs (c), (d) and (e) of the terms of reference will be submitted at a later date.

It also took note of the Estimates of Expenditure for 1958 (L/808) submitted by the Executive Secretary and concurred in the proposals therein.
4. **Arrangements for the Thirteenth Session**

(a) **Invitation by Japan (L/801)**

The CHAIRMAN recalled that during the Twelfth Session the Japanese Government had extended an invitation to the CONTRACTING PARTIES to hold their Thirteenth Session in Tokyo. After informal discussion at the Heads of Delegation level, however, the leader of the Japanese delegation had authorized him to announce that the Japanese Government did not now wish to press its invitation although it might wish to extend a similar invitation for the locale of the Fourteenth Session. This decision had been taken in deference to the desire of many delegations that the Thirteenth Session be held, as usual, in Geneva in view of the fact that the main item for discussion would be the Treaties of Rome.

On behalf of the Committee the Chairman thanked the representative of Japan for the kind invitation that had been extended by his Government to the CONTRACTING PARTIES. He added that the Deputy Executive Secretary had visited Japan to discuss with the Japanese Government the facilities they were prepared to make available and had returned fully satisfied with the arrangements proposed (L/801).

(b) **Other Arrangements**

The CHAIRMAN stated that the Committee need not consider the Agenda for the Thirteenth Session nor examine the adequacy of available documentation until its statutory meeting for that purpose in September. In the meantime, however, members might give some thought as to the desirability of having another meeting at a Ministerial level at the Thirteenth Session. An appropriate item to which Ministers could address themselves would be the Report of the Panel of Experts established by the CONTRACTING PARTIES to study certain trends in international trade. The Chairman suggested that the Committee revert to this question at its next meeting.
5. Nomination of Panels

The CHAIRMAN drew attention to the disputes and differences on the Agenda which had been referred to the Committee for consideration. Should the Committee decide to establish panels to examine any of these matters it might be appropriate to adopt procedural arrangements designed to meet certain practical difficulties that had been experienced in the past with regard to the availability of members when meetings of a panel are deferred to give time for further bilateral discussion. He also proposed that in future such panels should be called "panels for conciliation" instead of "panels on complaints".

In order to meet the problems referred to by the Chairman the Committee agreed to the following procedures for the nomination of panels of conciliation during the period prior to the Thirteenth Session:

(1) The Intersessional Committee, when seized of a matter arising under Article XXIII, may, upon the request of the applicant contracting party, establish a panel to enquire into, and report on, the matter.

(2) If, however, it is desired that the convening of the panel shall be deferred to some unspecified future date, in order to afford a further opportunity for bilateral consultation, the Intersessional Committee shall designate the panel but it shall be understood that the Chairman of the CONTRACTING PARTIES may appoint substitutes, if necessary, for any member or members of the panel who may not be available at the time when the need to convene it arises.
6. United States Action Under Article XIX

The CHAIRMAN referred to the discussion on this item that had taken place at the Twelfth Session. The Danish and Swedish delegations had drawn attention (L/758) to the action taken by the United States Government (L/757) in withdrawing, through the invocation of Article XIX, a concession granted to them at Annecy in 1949, by raising the customs duty on spring clothes pins from 10 to 20 cents per gross. The representatives of Denmark and Sweden had argued that in the opinion of their Governments the action taken by the United States was not justified under Article XIX. They maintained that no circumstances had been brought forward which would meet the requirements of that Article that the domestic industry was being seriously injured or threatened as the result of increased imports. They indicated, however, that they were prepared to discuss the matter further with the United States but, if there were no satisfactory result they might ask the Intersessional Committee to examine the matter. Sweden now referred the question to the Committee.

The representatives of Denmark and Sweden reported to the Committee that the consultations that had been conducted by their Embassies with the State Department in Washington had thus far yielded no positive results. Furthermore, no facts had been brought forward in these discussions to refute the arguments they had advanced at the Twelfth Session. The United States Government, however, had stated its willingness to continue the consultations and in view thereof, and also of the fact that the matter was to be reviewed by the United States Tariff Commission later in the year, the Danish and Swedish delegations did not wish to have the Committee take up the item at this stage. They reserved their right, however, subject to the outcome of the consultations, to refer the matter back to the CONTRACTING PARTIES at their Thirteenth Session.

The representative of the United States appreciated the attitude of the Danish and Swedish delegations and confirmed that bilateral discussions would continue in Washington. He pointed out that the recommendations of the United States Tariff Commission in this case had been approved by the President of the United States and was considered to be fully in accord with the obligations of the United States under Article XIX of the General Agreement. The United States representative also reviewed the record of
escape clause cases in the United States, pointing out that since the escape clause procedure was adopted the Tariff Commission had received eighty-seven applications for tariff relief. The Commission had decided against action in thirty cases and recommended action in twenty-four cases. In only nine, however, had the President concurred with the findings of the Tariff Commission and invoked the escape clause.

The Committee agreed to postpone consideration of this item and noted the reservations of the Danish and Swedish delegations of their intention to submit this question to the Thirteenth Session should they find this necessary.
7. **Italian Discrimination Against Imported Agricultural Machinery**

The CHAIRMAN recalled that at the Twelfth Session the United Kingdom delegation submitted a complaint (L/649) to the effect that under a Law of 25 July 1952 the Italian Government granted loans on special favourable terms to Italian farmers for the purchase of tractors and other agricultural machinery of domestic, but not of foreign, origin. The United Kingdom Government considered that this involved an element of discrimination contrary to Article III of the General Agreement. It was agreed that bilateral discussions between the two governments would be continued but that if no agreement was reached the question could be referred to the Intersessional Committee; at the same time the United Kingdom delegation reserved the right to request that this matter be examined by a Panel should no progress be made in the interim period. The Government of the United Kingdom has now reported that no agreement had been reached in discussions with the Italian Government and accordingly the matter had been referred to the Committee.

The representative of the United Kingdom stated that it would be appropriate to refer this question to a Panel forthwith since not only had the dispute proved impossible to resolve bilaterally but it also raised a question of interpretation of the General Agreement. The Italian Government had neither refuted nor expressed agreement with the contention of the United Kingdom that the Law ran counter to Article III.

The representative of Denmark supported the United Kingdom request.

The representative of Italy agreed that various aspects of the complaint were related to the interpretation of Article III; that explained why no positive results had emerged from the bilateral consultations that had been held. In the circumstances, therefore, his delegation was prepared to have the matter referred to a Panel. For administrative reasons, however, he requested that such consideration by the Panel be deferred until the second half of June.

The Committee agreed to refer the matter to a Panel for Conciliation which would take due account of the request of the Italian representative with regard to the timing of its examination. The following Panel was appointed:

- **Messrs. O. Benes** (Czechoslovakia)
- **J. Oappelen** (Norway)
- **J. Hoogwater** (Kingdom of the Netherlands)
- **H.H. Warren** (Canada)

The Panel would elect its own Chairman.
8. French Assistance to Exports of Wheat and Flour

This item was proposed by the Government of Australia whose representative presented the following case to the Committee. Since 1953 France had applied export subsidies on wheat and flour in such a manner as to secure, inconsistent with the provisions of Article XVI, more than an equitable share of world trade in these products. The marked increase in French wheat and flour exports that had resulted therefrom had been detrimental to other traditional exporters, principally Australia. The subsidization had already caused serious prejudice to Australia in her traditional markets and had led to a distortion in the pattern of trade. If the French Government continued its present flour export policy Australia might well be forced out of its traditional export markets, particularly in South East Asia, in spite of the natural advantages she enjoyed geographically and through her low-cost production of wheat. Bilateral consultations with the French Government that had been held since April 1956 under Article XXII had enabled the Australian Government to confirm the facts of the situation, but the French Government had not been prepared to modify its export subsidy policy. The Australian Government, therefore, wished to refer this matter to the Committee for consideration in accordance with the provisions of paragraph 2 of Article XXIII. As regards procedures the Australian representative proposed that the Committee refer the matter forthwith to a Panel. The proposal to refer the matter to a Panel was supported by the representatives of Canada, Denmark and New Zealand.

The representative of France stated that his Government had always held the opinion that the subsidies it granted were in conformity with the provisions of Article XVI:3, but he concurred with the request that the matter be referred to a Panel. This, however, would not preclude the continuation of consultations with a view to finding a solution in conformity with the procedures of Article XXII:1.

The Committee agreed to refer the question to a Panel with the following membership:

Messrs. R. Arents (Belgium)
F. Gundelach (Denmark)
T. Swaminathan (India)

The Panel would select its own Chairman.
9. **European Coal and Steel Community Waiver**

The Chairman referred to paragraph 7 of the Waiver embodied in the Decision of 10 November 1952 which provided that during the transitional period "the Governments of the Member States will submit an annual report to the CONTRACTING PARTIES on the measures taken by them towards the full application of the Treaty". In accordance with these provisions the Member States had submitted five annual reports and these had been examined by working parties at the last five Sessions of the GATT. The transitional period came to an end on 10 February 1958 and, as agreed at the Twelfth Session, the Member States had submitted a sixth report describing the situation as at the end of the transitional period.

The report was divided into two sections. The main report (L/804 and Add.1) included a statement on the harmonization of the external duties, which had been in force as from 10 February 1958, and a comparison of the duties now applied with the legal or conventional duties in force before the establishment of the Common Market. The second section of the report (L/804, Add. 2 and 3) constituted a supplementary statement on production, trade and prices, similar to those transmitted to recent Sessions of the CONTRACTING PARTIES.

The representative of the Member States, in presenting the sixth and last report, pointed out that during the transitional period the provisions of the Treaty establishing the ECSC and of the Convention containing the Transitional Provisions had been rigidly adhered to. The time limits laid down for the various operations such as the reduction or abolition of internal duties and the harmonization of external tariffs had sometimes been shortened as was permissible under the Treaty and Convention, but they had never been extended. The implementation of the harmonized customs tariffs of the Member States had resulted in important tariff reductions for the three Member States which were the major importers of the Community. The overall tariff incidence had thus been reduced to a much lower level than that which would have resulted from commitments normally undertaken under the General Agreement. The Member States wished to thank the CONTRACTING PARTIES for having given them the
opportunity to take an initiative, the results of which had been in conformity with the spirit of the General Agreement and had furthered the realization of its objectives. It had enabled them to carry out an experiment which had proved an extremely useful one within the framework of international economic co-operation.

(a) Harmonization of Tariffs

The representative of Sweden referred to a reservation entered by his delegation when the waiver was granted concerning adequate compensation by the Member States in cases where the waiver involved economic sacrifices for other contracting parties and stressed that, moreover, when agreeing to the waiver, the Swedish delegation had had no reason to expect, and had not expected, the discrimination in favour of the Member States to be as considerable as that with which they were now confronted as a result of the interpretation by the Six of the harmonization of the tariff levels. Thus far the Common Market had operated during a period of high economic activity and was yet to be tested in adverse economic conditions; accordingly, his delegation wished to have the possibility to submit at a later stage more detailed conclusions of the impacts of the ECSC on the Swedish economy.

The representative of Norway referred to tariff negotiations his government had entered into with the Benelux countries in 1947 in which ferromanganese had been bound duty-free to Norway. When the ECSC was created Norway was requested to forego this concession and did so voluntarily on the understanding that the duties on this product would be harmonized at least to the same extent as the common tariff on other products. It was noted that the duties on this item had been harmonized in such a way as to result in a tariff rate applied by Italy which, although reduced from its previous level, was still considerably higher than the rate applied by some other Member States. If the CONTRACTING PARTIES accepted in this case that the concept of harmonization had been applied by the Community it might lead to the establishment of a disconcerting precedent. There had not been sufficient time to study the full effects of the harmonization and his delegation therefore proposed that all aspects of the new tariff be referred to the Thirteenth Session.
The representative of Czechoslovakia stated that certain tendencies in the operation of the Common Market which aimed at a protectionist and exclusive market should be checked by the High Authority. His delegation proposed therefore that the CONTRACTING PARTIES continue their surveillance over the operation of the ECSC.

The representative of Austria held the view that the so-called "principle of geographical protection", used as a basis for establishing tariffs on goods originating in third countries, was not compatible with the terms of the waiver granted by the CONTRACTING PARTIES. He further pointed out that the Member States had interpreted the undertaking to "harmonize" their external tariffs in the sense that harmonization did not require them to establish a uniform tariff. The Austrian delegation held the opinion that such an obligation meant that Member States were required to apply finally a uniform tariff equal to the Benelux tariff plus two points. It considered that the term "harmonization" was used not to exclude the adoption of uniform tariffs but to allow for temporary divergences such as those envisaged for a limited period under paragraphs 6 and 7 of the Transitional Provisions - and which had been accepted in view of the magnitude of the task that had been undertaken and of the unforeseeable effects which it might have on the economies of the Member States. With a view to avoiding any prejudicial effects the establishment of the ECSC might have on its traditional export markets for iron and steel products, notably Italy, the Austrian Government had held consultations with the High Authority and the Member States in January 1958. At these consultations the Austrian Government had expressed its concern at the introduction of customs duties which could on the basis of the principle of "geographical protection" prove to be excessive. These consultations, however, were not successful. The Austrian delegation, therefore, was obliged to stress that the application in Italy of a tariff level considerably higher than the Benelux level could seriously prejudice Austria's export opportunities in that market. Accordingly, the representative of Austria expressed the hope that the High Authority would bear this in mind when determining its policy in the future. As its government would need
sufficient time for material to be prepared showing the consequences the harmonization would have on the Austrian economy, the Austrian delegation reserved the right accorded under the terms of ARTICLE XXIII to return in due course to the problems referred to either at the Thirteenth Session or later.

In reply to the request of several members for further reports and other information in the future the representative of the High Authority stated that, although under no obligation to do so, it would notify the CONTRACTING PARTIES after two years confirming the expiration of the special protective measures provided for in Sections 15 to 29 of the Convention. The ECSC was prepared to discuss with the CONTRACTING PARTIES any problems of an economic nature that might arise as a result of the operation of the Common Market, and the machinery provided for in Article XXII of the General Agreement could always be resorted to by those contracting parties which considered themselves affected.

The representative of the High Authority then referred to the points of a legal nature that had been raised by the Austrian representative concerning the compatibility of the harmonized tariffs with the waiver and pointed out that the terms of the waiver itself foresaw that external tariffs would not be uniform but would be "harmonized". While the Treaty establishing the ECSC did not expressly define the concept of harmonization it was implicitly defined in Section 15 of the Treaty, the purpose of which was to establish provisional procedures for avoiding disturbances in the Common Market due to differences in tariff levels. When the CONTRACTING PARTIES took up this terminology in granting the waiver they implicitly accepted the High Authority's definition of it. The only obligation assumed under the waiver was to arrive at a general incidence in tariffs lower than that which existed at the time the Treaty entered into force. This had been accomplished, and by way of example he cited the case of steel where the average of the tariffs of the Member States before the establishment of the Common Market was 14.7 per cent. This had now been reduced to 7.2 per cent and would be reduced further to 6.9 per cent when the protective provisions were removed in two year's time.
The Italian tariff, although a subject of controversy, had in fact been reduced thirteen points for the principal finished products and the actual rates being applied in Italy were less than half those applicable when the Common Market was established. In view of these facts, therefore, the representative of the High Authority could not subscribe to the legal arguments advanced by the Austrian delegation.

In conclusion, the representative to the High Authority recalled that at the Twelfth Session, when discussing the compatibility of the harmonization measures envisaged by the Community with the Decision of 10 November 1952, only the delegations of Austria and Sweden had expressed concern about the legality of the proposed measures with regard to the commitments undertaken by the Community. He observed that, following consultations with the Community under Article XXII, the Swedish delegation no longer contested the legal point of view concerning the harmonization of tariffs on steel in force on 10 February 1958, and noted also that the statement by the representative of Austria attached less importance to the legal problems than to the economic aspects of the Agreement. He therefore concluded that legally the CONTRACTING PARTIES recognized the view of the Community that the Six Member States and the High Authority had fully observed the obligation which they had undertaken vis-à-vis the CONTRACTING PARTIES to harmonize the duties on steel at the end of the transitional period.

(b) Production, Trade and Prices (L/804/Add.2 and 3)

The representative of Denmark re-affirmed his Government's concern at the relationship between export prices and prices within the Community. In recent months, however, the gap between these two prices had narrowed and therefore his delegation would not request a detailed examination of the price data supplied by the ECSC. In conclusion he expressed appreciation at the readiness of the ECSC to discuss with the CONTRACTING PARTIES any problems of an economic nature that might arise in this field as a result of the operation of the Common Market.
(c) General Observations

At the conclusion of the discussion several members extended their congratulations to the Six Member States on the attainment of a full common market in coal and steel. In paying tribute to the appreciable accomplishments of the Community during the transitional period over the past five years, they pointed to the fact that trade in coal and steel had increased substantially both within the Community and third countries and stated that these achievements augured well for the future. They recorded their satisfaction with the consultations held at the five previous GATT Sessions and expressed their confidence that the spirit of co-operation that had prevailed between the Member States and the CONTRACTING PARTIES would be maintained in the future. Indeed, such fruitful collaboration would become especially important since the operation of the High Authority would now take on an added significance in view of the broader movement towards European economic integration. It was hoped, therefore, that any commercial problems which arose from the operation of the Common Market could be settled equitably in accordance with the spirit and objectives of the General Agreement.
10. **European Economic Community**

As instructed by the CONTRACTING PARTIES the Committee continued the examination of the relevant provisions of the Treaty establishing the European Economic Community, pursuant to Article XXIV:7, in the light of the Twelfth Session Reports on tariffs, the use of quantitative restrictions, trade in agricultural products and the association of overseas countries and territories. The Committee also had before it the Report of the Working Party appointed by the Committee to study the problems which the association of overseas territories raised for the trade of other contracting parties to the General Agreement (L/805/Rev.1 and Addenda).

The Committee heard a statement from the representative of the European Economic Community in which he outlined the progress made in setting up the basic institutions of the Community since the entry into force of the Treaty on 1 January 1958.

The following is a brief summary of the views and proposals put forward by members of the Committee:

**Common External Tariff**

Members expressed the view that if the objectives of the Community and of the GATT were to be attained the common external tariff should be as low as possible. In order to assist contracting parties in their analysis of the common tariff and to enable them to consider proposed procedures for the negotiations envisaged in Article XXIV:6 the EEC was requested to provide the following explanatory material as soon as possible:

1. a "key" permitting cross-reference and comparison of rates and commodity descriptions in the common tariff and of related statistical classifications with those in the previous individual tariffs and trade statistics of the Member States;

2. an indication of all changes in rates, commodity descriptions and statistical classifications;

3. an indication of how the common tariff rates are derived from the previous tariff rates;

4. an exact description of the products upon which concessions have been made in the individual GATT schedules of the Six;
an indication of the country or countries with which concessions were
initially negotiated and of the principal suppliers, with the amounts
of trade involved.

Quantitative Restrictions

Many members held the general view that until such time as the financial
and economic relations of the Member States were fully integrated, so as to
constitute in effect one unit for balance-of-payments purposes, the maintenance
or imposition of quantitative restrictions must be justified in accordance with
basic GATT rules and on an individual country basis.

Agricultural Provisions of the Treaty of Rome

Members pointed out that it was essential that in the formulation of a
common agricultural policy the Community should take due account of the
importance of preserving both traditional trade patterns and the GATT
objective of expanding multilateral trade. Such regard for the trade
interests of third countries, exporters of agricultural products, took on
added significance in view of the tendencies for excessive short-term fluctua­
tions in prices of primary products and widespread resort to agricultural
protectionism that have become so pronounced in recent years. Accordingly,
a number of members expressed the desire for the immediate provision of some
appropriate machinery which would enable the CONTRACTING PARTIES to follow
and consider together with the Six the measures to be taken in the course of
establishing the common agricultural policy and organization and the relation­
ship of these measures with the provisions of the General Agreement.

Other members considered, however, that effective channels of communi­
cation could be established with the Community in the agricultural field
within the framework of usual GATT methods and procedures. Such communication
would consist of normal collaboration and continuing exchanges of information
and views on matters of common concern among trading partners.

Attention was drawn to a conference of Member States to be convened at
Stresa in July 1958 in accordance with Article 43(1) of the Treaty of Rome
with the aim of comparing their agricultural policies. Some members
considered it would be useful if, when this conference had ended, the Six,
using the normal machinery of the CONTRACTING PARTIES, could provide
information on that conference. It would also be desirable to afford
contracting parties the same means of commenting on the information received.
The Association of the Overseas Territories to the European Common Market

Some members considered that the Working Party's Report to the Committee established the fact that the arrangements proposed would clearly prejudice the trade interests of many under-developed countries which were dependent for their economic development on the export of one or two tropical or semi-tropical products. It was inequitable that the economic development of the overseas territories should be artificially promoted at the expense of the aspirations of other under-developed countries and there could be serious political consequences in some adjacent areas. These members proposed, therefore, that some procedures be set up which provided for multilateral consultations between the Six and producing countries which considered that their trade would be affected with a view to discussing the value and extent of any measures that could be taken to alleviate any resulting damage to their trade; each commodity could be dealt with separately and some co-ordinating machinery should be established to supervise the discussions.

Other members recognized the importance of this question to contracting parties in the process of economic development, and considered that where problems were shown to exist realistic solutions should be sought within a multilateral framework provided the arrangements reached were consistent with the GATT rule of non-discrimination. The object of any such arrangements should be to prevent any significant diminution of third countries' present export trade to the Six as a result of the association of the overseas territories. They should also provide a reasonable opportunity for third countries to share in any increased demand resulting from the establishment of the Common Market. These members considered that traditional GATT principles and methods of procedure, in particular the provisions for consultations under Article XXII, were flexible enough to deal effectively with the problem.

Several members proposed that the Working Party on the Association of the Overseas Territories should continue its work as recommended in paragraphs 7 and 9 of its report including an examination of the effects of the association on the import trade of the A.O.T's.
Statement by the representative of the EEC

The representative of the European Economic Community then made a statement which summarized the Community’s point of view in reply to the various points that had been raised. The full text of this statement is appended to this Report.

Conclusions

The Committee’s conclusions - to be considered further on 2 May - will be inserted.
11. European Free Trade Area Proposals

The CHAIRMAN recalled that it was agreed at the Twelfth Session that it would be desirable for the CONTRACTING PARTIES to be kept informed of developments in the negotiations proceeding in Paris. The Committee was requested to maintain contact with the OEEC in this connexion and to report to the CONTRACTING PARTIES at the Thirteenth Session.

Mr. OVIN, on behalf of the Secretary-General of the OEEC, informed the Committee of the present status of the proposals. The negotiations were being conducted by an inter-governmental Committee at Ministerial level, under the chairmanship of Mr. Maudling (United Kingdom), which was established pursuant to the OEEC Resolution of 17 October 1957 (L/745). These negotiations which were of a complex nature were as yet far from completion; accordingly the Committee could not be supplied with information of a definitive character. It was intended to introduce the free-trade area parallel to the European Common Market and therefore the Treaty of Rome was being used as a basis for the negotiations. Mr. Ouin then described certain principles and problems that had emerged from discussions on such questions as quantitative restrictions, the elimination of tariffs, agriculture and he referred to a study being undertaken by OEEC experts with a view to solving the difficult problems of definition of origin.

In conclusion, Mr. Ouin, stated that the OEEC would keep the CONTRACTING PARTIES informed of subsequent developments in the negotiations and he expressed the hope that at the Thirteenth Session information of a more detailed and definitive nature could be submitted to the CONTRACTING PARTIES.¹

¹The full text of Mr. Ouin's statement has been reproduced in document L/812.
12. **Article XXVIII Negotiations**

The EXECUTIVE SECRETARY stated that it had been brought to his attention that a number of negotiations currently being conducted under Article XXVIII, under the authority of paragraph 4 of the Decision of 28 November 1957 on the Continued Application of Schedules, might by reason of their complexity not be completed by 30 June 1958, the time-limit fixed by the Intersessional Committee at its meeting of 14 February 1958 (L/795).

The representative of the United States proposed a six month extension of the time-limit. The Chairman, however, considered that the most practical solution would be to extend the date to the close of the Thirteenth Session. This view was supported by the representatives of Canada and the United Kingdom.

The Committee then agreed that the final date for completion of Article XXVIII negotiations be extended to the end of the Thirteenth Session. The question of any further extension could be examined by the CONTRACTING PARTIES in the light of circumstances then obtaining.

13. **New Zealand - Consultations under Articles XII and XIV**

The New Zealand delegation informed the Committee that New Zealand, having initiated a consultation under Article XIV:1(g) on the discriminatory application of restrictions, wished that this be carried out at the same time as the consultation under Article XII to be held on 21 April.

The Committee agreed to this proposal.

14. **Request by Denmark for Authority to enter into Re-negotiations**

[To be inserted]

15. **Next Meeting of the Committee**

[To be decided upon]

**Appendix**

Statement by Baron Snoy et d'Oppuers (Spec/104/58).