RESOLUTION OF THE COUNCIL
ON NEW ASPECTS OF THE ORGANISATION'S CONTRIBUTION TOWARDS FREEING TRADE

(Adopted by the Council at its 448th meeting on 16 October 1959)

The Delegates for Austria and Ireland have now confirmed their acceptance of this Resolution

The Council

Having regard to the Convention for European Economic Co-operation of 16 April 1948;

Having regard to the Code of Liberalisation;

Reaffirming that the objective of Member countries is to arrive as rapidly as possible at the total freeing of their imports both from one another and on a world-wide basis;

Considering that this objective can and must be attained without any retrogression in the liberalisation of intra-European trade as a result;

I. APPROVES, in general, the Report by the Steering Board for Trade of 9 October 1959, attached to this Resolution.

II. DECLARES its intention of seeking with the Contracting Parties to the General Agreement on Tariffs and Trade (hereinafter called "GATT") the ways and means of establishing co-operation between them and the Organisation in order to facilitate the achievement of the objective referred to above.

III. INSTRUCTS the Secretary-General, to this end, to make the necessary contacts with the Executive Secretary of GATT with a view to defining the methods whereby such co-operation could be proposed to the Contracting Parties and to the Organisation, and could be put into effect.

IV. INVITES the Governments of such Member countries as are Contracting Parties to GATT to give their representatives to the Fifteenth Session of the Contracting Parties to GATT the necessary instructions to support the Secretary-General in carrying out the instructions given to him in paragraph III.
COUNCIL

NEW ASPECTS OF THE OEEC CONTRIBUTION
TOWARDS FREEING TRADE

Report from the Steering Board for Trade

1. During recent months the Steering Board for Trade has been largely concerned with examining the possible repercussions of the external convertibility of most European currencies on policy on the liberalisation of Member countries' trade and on the role of the OEEC in this connection. At the end of its discussions, the Board decided to submit to the Council the present report putting forward suggestions which, if they are accepted by the Council, will enable the Organisation to widen constructively the scope of its prospective action in the field of trade policy.

2. From the time of its first efforts towards the liberalisation of trade, the OEEC made it clear that the stages laid down by the Council were designed to bring Member countries closer to the ultimate goal of worldwide liberalisation of trade. The Preamble to the Code is explicit, since it declares that "one of the aims of the Organisation is to achieve - as a stage towards the world-wide liberalisation of trade and invisible transactions - as great a liberalisation as possible of trade and invisible transactions between Member countries".

3. The efforts of Member countries have borne fruit. At the present time, the overall level of intra-European liberalisation has in fact reached 90 per cent. In parallel, Member countries have embarked upon a process of liberalisation towards third countries, which, although somewhat slow off the mark, has subsequently gained speed appreciably, particularly in recent months. It will be remembered in this connection that Article 1(e) of the Code stipulates that decisions of the Organisation on intra-European liberalisation do not prevent any Member country, if it wishes, from taking measures of liberalisation of trade in respect of non-Member countries.

4. In the circumstances prevailing after the War, the liberalisation of intra-European trade was made possible by the existence of the European Payments Union, which ensured the transferability of European currencies and included a system of automatic credits. By contributing to the reinforcement of the economies of Member countries it assisted in laying the foundations for worldwide liberalisation of trade. It also enabled
the force of protectionist arguments to be gradually weakened, since the removal of quotas between Member countries did not create the disturbances which some quarters had foreseen, but was on the contrary a decisive factor in the economic recovery of Europe. In this connection, the Steering Board would like to draw the Council's attention to the following extract from a note circulated in GATT by the United States on 16 May 1959: "The United States has always lent its enthusiastic support to the work of the OEEC. The Organisation has performed many constructive and even critical functions in facilitating the reconstruction and recovery of Western Europe and in promoting freer trade within the OEEC area and between that area and the rest of the world. The fruits of the success of the Organisation are recognisable in the advances achieved in European production and productivity and in the extent to which trade barriers have been eliminated by the Member States. The fact that Contracting Parties are able to discuss convertibility today is in no small measure attributable to the co-operative programme pursued under the aegis of the OEEC".

5. The external convertibility of most European currencies has raised the question whether OEEC Member countries may apply to one another measures of liberalisation which they do not extend to other Contracting Parties to the GATT. The debates at the last session of the GATT were specific on this point.

6. It is evident that, in view of:

- the improvement in their balance of payments and in their reserves;
- the external convertibility of their currencies, and
- their commitments in the IMF and the GATT,

Member countries have every interest - and most of them are under a legal obligation - to remove their remaining quantitative restrictions on imports as speedily as possible. There are two things they have to do:

- extend to other Members of the GATT the liberalisation measures they apply to one another, and
- liberalise both between themselves in relation to third countries those imports which are still under quota.
7. The Organisation should, in consequence, categorically reaffirm forthwith that the objective of its members is to arrive as speedily as possible at the total liberalisation of their imports, both between themselves and on a world-wide basis.

8. The question which arises today is how this objective can be best and most speedily achieved. In this connection, experience shows that, apart from balance of payments difficulties, there are also other obstacles to the liberalisation of trade. Between Member countries themselves, work in the OEEC (particularly the exercise on negative lists) has already revealed difficulties of this kind. The Steering Board's discussions and its studies in recent months have also brought to light similar difficulties that arise in extending European liberalisation to third countries. The special problems of agriculture are well known. The obstacles that can result from measures to aid exports, from State trading methods, or from special competitive positions, cannot be overlooked.

9. It is, moreover, generally admitted that the extension of liberalisation by Member countries to third countries can and must be achieved without any retreat in the liberalisation of intra-European trade. The Code of Liberalisation - whose continuance in force for an indefinite period was decided after the return to convertibility - already lays down procedure for co-operation between Member countries to counter the risk of a Member country going back on intra-European liberalisation in the event of balance of payments difficulties arising out of the geographical extension of liberalisation.

10. In the light of all these factors, the Steering Board for Trade considers that, in order to make a realistic attack on the difficulties which prevent Member countries from achieving the objective stated in paragraph 7, and thereby to succeed in applying the rules of GATT, as fully and as rapidly as possible, ways and means of overcoming these difficulties should be looked for in the context of co-operation between the OEEC and the GATT. In effect, since the currencies of most Member countries became convertible simultaneously, as part of a collective action, these countries find themselves in practice confronted with similar problems. Collective action on their part is, in the opinion of the Steering Board, the best way to solve these problems. This is particularly true in the case of the obstacles which they find in the way of extending liberalisation. The comparison and collation of their experience in this connection would throw light on the specific difficulties raised by the liberalisation of particular products in relation to particular areas and would make it possible to find the speediest and most liberal solutions to these problems. Co-operation within the Organisation should add effectiveness to the efforts made by each Member country towards the progressive extension of its measures of liberalisation, each country in any event remaining individually bound to respect its obligations under the General Agreement. The co-operation in this work of representatives appointed by the GATT would have
the advantage of creating a climate of confidence and of making it easier
to settle with non-Member countries some of the difficulties encountered (1).

11. The Steering Board does not feel that it should put forward definite
suggestions as to the machinery for co-operation between the two institu­
tions. This would have to be worked out by common accord. It might, for
example, be envisaged that co-operation between the Secretariat of the
OECD and the Secretariat of the GATT should be strengthened or that a
Joint Group should be set up composed of representatives designated by the
OECD and by the GATT or that some other form of co-operation should be
established. Without prejudging the form of co-operation, the Steering
Board believes that the Council should as soon as possible declare its
intention to seek co-operation. It should further instruct the Secretary-
General and, if appropriate, those members of the Steering Board who will
be going to Tokyo for the forthcoming session of the GATT, to make the
intentions of the Organisation known to the Executive Secretary of the
GATT, to define with him the most appropriate form of co-operation and to
discuss the way in which this matter might be brought before the Contract­
ing Parties. Naturally, if the Council approved the above proposals,
Member countries should give their representatives at the GATT suitable
instructions to support them in the most favourable conditions, according
to the circumstances.

(1) It should be recalled, in this connection, that Article 6 of
the Convention of 16 April 1948, reads as follows: "The
Contracting Parties will co-operate with one another and with
other like-minded countries in reducing tariff and other barriers
to the expansion of trade, with a view to achieving a sound and
balanced multilateral trading system such as will accord with
the principles of the Havana Charter."