SUMMARY RECORD OF THE THIRTEENTH MEETING

Held at the Palais des Nations, Geneva,
on Wednesday, 5 November 1958, at 2.30 p.m.

Chairman: Mr. L.K. JHA (India)

Subjects discussed:

1. Fellowship Programme
2. Expiry of the "Hard Core" Decision
3. Restrictive Business Practices
4. German Import Restrictions
5. Cuban Tariff Reform
6. Italy/Libya Waiver
7. Article XXVIII - Australian Request

1. Fellowship Programme

The DEPUTY EXECUTIVE SECRETARY informed the meeting that the UNTAA had advised that so far it had been possible with the funds available under the national programmes to grant fellowships for the first course of 1959 to applicants from India, Ghana, the Federation of Rhodesia and Nyasaland, and Poland. For the second course only one fellowship had been conferred, to a candidate from the Federation of Rhodesia and Nyasaland. Other applications put forward by Cuba, Pakistan, Greece, Finland and the Philippines had not been accepted by the United Nations because no funds were available under the national programmes. However, the United Nations Administration had promised to approach the Chairman of the UNTAA to explore the possibility of drawing on the funds which were at his disposal with a view to granting additional fellowships. There were, therefore, two vacancies during the first half of 1959, open to countries which had still funds available under their national programmes. Applications should be submitted as soon as possible. Further, in the event of only one fellowship being granted for the second half of 1959, it would be opportune to consider whether the course should in fact take place. The Deputy Executive Secretary hoped, however, that the steps which the United Nations Administration intended to take would be successful and permit the granting of additional scholarships. As regards the programme for 1960, the United Nations had advised that candidatures would have to be submitted early in 1959. Delegations were invited to bring this to the attention of the national authorities in charge of technical assistance questions.
2. **Expiry of the "Hard Core" Decision (W.13/26)**

   The CHAIRMAN referred to the discussion at the previous meeting (SR.13/12), when it had been agreed to extend the time-limit in the "hard core" waiver for another year. The Executive Secretary had been asked to prepare a draft Decision which had since been circulated in document W.13/26. The text was identical with that of the Decision adopted at the last Session, except for appropriate changes of date, etc.

   The Chairman then submitted the draft Decision to a vote under Article XXV § 5.

   The CONTRACTING PARTIES approved the Decision by a vote of thirty-three in favour, none against.

3. **Restrictive Business Practices (L/893/Add.2)**

   The CHAIRMAN recalled that at the previous meeting there had been a decision in principle to adopt the Decision proposed by the Norwegian delegation but to delay its adoption until the Norwegian delegation had had the opportunity to discuss certain minor amendments with other delegations. The Norwegian delegation had now submitted a new text for the operative part of the Decision (L/893/Add.2).

   Mr. THAGAARD (Norway) reported that his delegation had made certain minor amendments to comply with the suggestions made by the United States delegation. He had shown the new draft to the representatives of the German Federal Republic and of the United Kingdom.

   Mr. ELSON (Federal Republic of Germany) said that in view of the changes which had been in the operative part of the proposals his Government was now willing to support the appointment of a group of experts.

   Mr. JARDINE (United Kingdom) reminded contracting parties that his Government had always been sceptical of the value of the proposals embodied in this Decision but informed them that his delegation no longer wished to oppose this particular Decision.

   The CHAIRMAN said that since the proposed Decision had received the unanimous support of the CONTRACTING PARTIES it was now necessary to consider its execution. He proposed that in view of the difficulty of ascertaining which contracting parties would be able to make experts available to serve in this capacity, the Executive Secretary should make appointments in consultation with the governments concerned. For each expert a qualified alternate from the same country could also be appointed. The Group would be left free to choose its own Chairman.

   This was agreed.
4. German Import Restrictions

The CHAIRMAN drew attention to the report of the Intersessional Committee, Section I(d) of document L/886 on the action taken since the Twelfth Session on the question of the German import restrictions. At its meeting in April the Intersessional Committee had approved a Recommendation which "called upon the Government of the Federal Republic to reconsider its position and to report to the Thirteenth Session what action it had taken to eliminate the remaining restrictions".

Mr. KLEIN (Federal Republic of Germany) recalled that Federal Minister Lübke had presented the general point of view of the Federal Government during the Ministerial discussion. As requested by the CONTRACTING PARTIES, his Government had undertaken a review of its import policies with a view to harmonizing them with the provisions of the General Agreement. The Federal Government had decided to liberalize in a few days the imports of some industrial products which had been planned for liberalization only on 1 January 1960; only a relatively small number of restrictions would be maintained in the industrial sector after 1 January 1960. The Government further intended to introduce an application for a "hard core" Waiver for some of these industrial products for which the possibility of import control must still be maintained for a period of time. The other industrial products in respect of which import restrictions would remain were a relatively small number of goods being traded in the market under extraordinary commercial conditions. He would like to revert to this question at a later date and in the meantime he would wish to study the possibilities of a solution for this problem with the contracting parties mainly interested.

The two groups of products remaining under import control in the sector of agriculture and food processing were the products governed by the Marketing Laws and the products still subject to a quota system. As regards the products governed by the Marketing Laws, Mr. Klein referred to the previous discussions of this question. The Federal Government adhered to their legal point of view on the import restrictions based on the Marketing Laws and regretted not to be in a position to remove these restrictions. Concerning the products subject to a quota system in this sector, the Federal Government was prepared to liberalize by 1 January 1959 a number of specified commodities, and regretted to be unable, for the time being, to remove quotas on the other commodities in this group.

The Federal Government had carefully studied what action it could take to reconcile its import policies in this field with the effective rules of GATT. The CONTRACTING PARTIES had suggested that the Federal Republic should have recourse to the formal and procedural possibilities offered by the Agreement. The Federal Government was of the opinion that the Experts' Report and the various statements made at the Ministers' discussion had clearly shown that protective measures in favour of agriculture were applied all over the world. It could be assumed to be generally
understood now that this was a world-wide problem which could not be solved in respect of one single country. The Federal Government hoped that the CONTRACTING PARTIES would find new methods to deal with this problem. Federal Minister Lübke had suggested that a decision on the German import restrictions in the agricultural field should be deferred for some time. Mr. Klein repeated that proposal, hoping that by joint efforts it would be possible to attain the common objective within the framework of the procedures provided for by the Agreement. The German delegation was prepared to discuss the possibilities of a solution to this problem and was ready to supply information on these products. The Federal Government hoped that the German case would not be treated less favourably than that of other contracting parties which had faced a similar situation in the past. On the other hand, the Federal Republic would be ready to continue its liberal import policies, to aim at an expansion of trade and to take into account the real export interests of individual contracting parties. It had been recognized repeatedly that the efforts of the Federal Republic in this field had shown practical results.

Mr. Klein pointed to the particular geographical and general situation of the Federal Republic in Europe. By safeguarding economic stability, the Federal Republic had hitherto been able to contribute considerably to the maintenance of sound economic conditions in Europe. The German market, owing to its purchasing power, had greatly promoted the commercial interests of all the contracting parties. In this connexion, he referred to what the Experts had said in paragraph 28 of their report: "The avoidance of business cycles and the maintenance of a steady rate of domestic growth are the most important contributions which the highly industrialized countries can make to the stabilization of the markets for primary products". The Federal Government was aware that it was to a considerable extent due to the assistance by several trade partners that it had been able to reconstruct the German economy and that its membership in GATT had contributed substantially to the expansion of German trade. As a result, the Federal Government had been able to take an increasing part in multilateral co-operation for the promotion of world trade in GATT as well as in many international organizations. It thankfully appreciated the good advice it had received, also within GATT, concerning economic and commercial policies. Ultimately, however, the Federal Government must remain responsible for the stability of its economy. The CONTRACTING PARTIES should go beyond the task of administering the rules of the Agreement and be a dynamic organization which would continuously study the problems of trade policy arising in world trade and find practical solutions for them. The Federal Government was prepared to co-operate in this task and was resolved to make all possible efforts to maintain a friendly co-operation with the CONTRACTING PARTIES.
Mr. PAPPANO (United States) said that this was the fourth occasion on which the question of the German import restrictions was before the CONTRACTING PARTIES. The first occasion was in June 1957 when the Committee on consultations under Article XII considered the matter. A finding of the International Monetary Fund on the Federal Republic's external financial position had led to a consensus in the Committee that the remaining import restrictions no longer fell under Article XII. The United States had emphasized at that time the fundamental importance to the world trading community of action by the Federal Republic in bringing its policies into harmony with its obligations under the Agreement and had, jointly with other contracting parties, called on the German Government to give the problem urgent consideration and to make a constructive response to the new situation resulting from its strong financial position. The matter had been further discussed at the Twelfth Session when the German delegation had transmitted the reply of its Government and had announced a number of measures of liberalization. Although these measures had reduced the size of the problem somewhat, the United States and other contracting parties had considered that the fundamental issues posed by the retention of the restrictions had not changed in character. Unwarranted discrimination and protection had not been abandoned. Further consideration had been given at the Intersessional Committee in April 1958 when policy questions and certain legal issues raised by the maintenance of the import restrictions had been examined, but the major differences had not been resolved. The Federal Republic had again been urged to reconsider its position and to report to the present Session on the action it had taken to eliminate the remaining import restrictions. During 1958 the problem had also been considered in other channels. The United States and, it was believed, other contracting parties had made written representations to the German Government. The results of the annual consultation which the Fund had held with the Federal Republic a few months before were presumably well-known.

The matter was thus being considered for the fourth time within a year and a half. When negotiating the hard-core waiver in early 1955, the possibility that the Federal Republic would soon emerge from its balance-of-payments difficulties had been clearly in the mind of the German delegation as well as other delegations. The CONTRACTING PARTIES had often emphasized the need to prepare for the time when resort to Article XII would no longer be appropriate, and had written an admonition of this kind into the hard-core decision. Thus, it would not be an exaggeration to say that three and a half years had elapsed since the Federal Republic first had reason to believe that it must prepare for the dismantling of its import restrictions.

Mr. Pappano said that his delegation had been surprised to hear the initial statement made by the Minister of the Federal Republic at the Ministerial discussion, and had been truly disappointed that it aimed primarily
at justifying continued discrimination and protection not provided for under the Agreement. From the outset the United States had considered the issue as involving not only German trading interests but also the fundamental principles of the Agreement, and was still of this opinion. As stated before, it was in the interest of the Federal Republic itself, as a major exporter to world markets, to contribute by its own policies to the integrity of these principles.

Mr. Pappano recalled that Mr. Dillon had expounded the United States view at the Ministerial meeting when he called for "the elimination of the remaining restrictions on imports of industrial items and, with respect to agricultural items, either the elimination of restrictions or the negotiation of an agreed waiver." He had further said: "We recognize that the substance of a waiver is naturally subject to negotiation and agreement between the Federal Republic and the other contracting parties, but we see no reason why a waiver should not be negotiated at this time so as to regularize the position of the Federal Republic in the same manner as other countries, including the United States, have regularized their position. We do not feel that the negotiation of a waiver should await a possible renegotiation of the GATT provisions on agriculture. Such a renegotiation would inevitably involve complex and difficult negotiations which might well take a number of years. The negotiation of a waiver would be a much simpler matter and could be accomplished at this Session. We think this should be done so as to avoid the necessity for action under Article XXIII."

The statement of the German delegation showed that the German Government had given further consideration to this issue. The announcement of additional liberalization and the reduction of discrimination was welcomed and his delegation was prepared to join in the examination of the proposals for action under the "hard-core" decision for various industrial items. However, it could not but deeply regret that the new measures were so limited in scope and that much discrimination and restriction would remain in the import régime. Mr. Pappano did not believe that the CONTRACTING PARTIES could fail to make further vigorous efforts to deal with the issue under consideration. His delegation had not abandoned hope that through further efforts a more satisfactory situation could be achieved, but it was not sure at present of the best way to pursue this objective. Some desirable method would perhaps emerge after hearing the views of other contracting parties.
Mr. RATTIGAN (Australia) said that he found it difficult to place the statement of the German delegate in proper perspective. His remarks would therefore be rather tentative. His delegation noted with interest, and welcomed, the progress in connexion with industrial products, first in removing restrictions on some commodities and, secondly, in the willingness of the Federal Republic to work with other contracting parties towards a waiver of the type agreed by all contracting parties as the only satisfactory basis of meeting the kind of situation which obtained in the Federal Republic. However, this progress on industrial goods highlighted the almost complete lack of progress on agricultural goods.

As the Australian views on the continued maintenance of import restrictions on agricultural products had been given very fully on previous occasions, Mr. Rattigan wished to confine his remarks to the following points:

(i) As one of the world's largest trading nations and as a country with substantial international reserves, the Federal Republic should be prepared to give access to its market in accordance with its obligations under the Agreement.

(ii) Although Australia and other primary producing countries had felt for a long time that the balance of benefits and obligations under the Agreement favoured industrial countries, his Government had nevertheless accepted, as part of the deal emerging out of the review of the Agreement, an arrangement which recognized the social, political and economic difficulties which a country like the Federal Republic would face in removing restrictions imposed for balance-of-payments purposes, when its payments position no longer justified those restrictions.

(iii) It was the firm understanding of the Australian Government that the Federal Republic had fully realized that the "hard-core" waiver had been negotiated with her needs particularly in mind. This arrangement had been accepted by Australia on that basis.

(iv) The arrangement, which represented a considerable departure from GATT principles, had been accepted in view of the difficulties which, as the Federal Republic explained, would arise out of any immediate removal of the restrictions. The Australian delegation did not ask for the immediate removal of the restrictions and did recognize the social, political and economic difficulties involved for the Federal Republic.

Mr. Rattigan said that apart from the lack of progress in the agricultural field, he was all the more disturbed when he heard of German intentions in relation to its future trade policy. He said he was referring not only to statements made at the present Session but also to printed articles emanating from official German circles, for example, a recent article by State Secretary Sonneman. The Federal Republic seemed determined to
operate its trading activities solely on a bilateral basis and Government spokesmen had indicated that this policy had served them well in recent years. This was to be expected, for while most import trading countries were not pursuing bilateral trading policies the Federal Republic found a "climate" in which it could do very well by adopting such a policy. Bilateralism would continue to be successful for the Federal Republic only as long as the majority of the important trading nations refrained from adopting the same policy. If all contracting parties were to embark on this course they would start a general movement towards bilateralism, which must, of course, spell the end of the General Agreement. The Australian delegation could not agree that the problems of German import restrictions should be deferred until the question of agricultural policy in general had been examined. It would sincerely hope that such an examination would not lead to a position in which the obligations of the Federal Republic under the Agreement would be any easier than at present, for if that were the outcome, the CONTRACTING PARTIES would have completely failed to deal with the problems of agricultural exporters. Like the United States, his delegation felt strongly that a waiver should be negotiated without further delay.

Mr. GUNDELACH (Denmark) welcomed the steps which the Federal Government was prepared to take in order to regularize its position with respect to import restrictions in the industrial field. His delegation regretted, however, that the German Government had found it possible to announce only very limited liberalization measures in the agricultural field in compliance with the request of the Intersessional Committee. German representatives had frequently pointed to the fact that the Federal Republic was already importing large quantities of foodstuffs. That was certainly true and it must be strongly emphasized that the maintenance of these imports was of the greatest importance to countries like Denmark which were so heavily dependent on agricultural exports. It was an agreed fact that the complicated economic and social problems with which most countries were confronted could only be solved by expanding national economies and world trade. The main objective of the Agreement was to stimulate this expansion; its specific rules and procedures should be considered in that light and not as something with a value in themselves. The Danish delegation had constantly maintained that these rules and procedures did not constitute a final and satisfactory instrument for the implementation of expansionist trade policies. Thus, it was evident that in many countries the excessive use of support policies inevitably led to surplus production and to subsidized exports which hampered the abolition of restrictions in other countries. This indicated that real progress towards a moderation of agricultural protectionism should be brought about through concerted efforts over a period of time to reduce levels of support prices in all countries concerned and to harmonize agricultural policies. The conclusion, however, should not be drawn that countries not in balance-of-payments difficulties should be relieved of their obligations gradually to dismantle their restrictions.

As stated at the Ministerial discussion, Denmark found it necessary that remaining import restrictions on food in all countries should be reduced as rapidly as possible. It was therefore in its interest to co-operate in finding
arrangements which would facilitate such a development. But there was no simple and single solution to this problem in the case of the Federal Republic. Experience had clearly shown that the balance-of-payments position was not the only consideration. The German delegation had indicated that the hard core waiver procedure was not acceptable. Moreover, this procedure had so far not been particularly successful. Mr. Gundelach stressed that his Government would not consider it acceptable to resort to waivers of a more unlimited character and recalled that it had so far not found it possible to accept any arrangement or waiver that went beyond the conditions set by the hard core waiver. A situation thus seemed to have arisen where the procedures so far applied did in fact need some overhaul to meet new and old requirements.

Two considerations of major importance should be underlined. Firstly, the German agricultural problem should not be considered in isolation from the major European problem. The present agricultural regime in the Federal Republic was not supposed to be maintained indefinitely and it was the intention of the Six to replace the present national policies by a common policy. A general solution of the European agricultural problems might materially contribute to a solution of the problem on a world basis which would meet the legitimate interests of importing and exporting countries in Europe and overseas, provided that the solution sought was not exclusive, but outward-looking, expansionist and liberal. The CONTRACTING PARTIES had a special interest and an important task to perform in this respect and should therefore bear in mind that the German case was only one element of a broader picture which would be presented to them for consideration on a reciprocal basis. Denmark could not accept that the Federal Republic was asked to modify its present policies in a way which would prejudice the endeavour to bring about in the near future a broader solution of the European agricultural problems.

The second consideration was that there seemed to be considerable support for the proposal to initiate in the immediate future joint consultations on all aspects of agricultural protectionist policies with a view to bringing about a moderation of such policies. Real progress towards an elimination of restrictive measures in the agricultural field could be achieved only by a concerted drive to revise the basic elements of the agricultural policies of many countries. Such consultations might ultimately lead to some agreement on a code of behaviour in the implementation of agricultural policies, which would also facilitate the removal of import restrictions. His delegation did not contemplate that this procedure should weaken the present obligations of member countries under the Agreement; on the contrary it hoped that such a procedure might show how the objectives and principles - in a strengthened form - of the Agreement could best be furthered.

In concluding, Mr. Gundelach said that ways and means for a solution of the German problem should be sought through the two sets of procedures to which he had referred, and that these endeavours should not be prejudiced through final decisions at the present Session.
Mr. STEYN (Union of South Africa) stated that he would confine his remarks to the long-term effects of the issue under consideration on the adherence of individual countries to the principles which all contracting parties had agreed to support. The General Agreement was not a perfect instrument. Indeed, in a world of constantly changing economic policies and problems, it would be too much to expect perfection from an international treaty which had been negotiated on the basis of certain assumptions as to the way in which largely unpredictable economic forces would behave and which, by and large, represented a delicately balanced compromise between widely divergent economic systems and policies. However, the CONTRACTING PARTIES had adopted the rules now embodied in the Agreement in the belief that they represented a practical basis for achieving a high and expanding volume of world trade. Admittedly, international rules in any form placed limitations on the freedom of action which governments might at times find politically irksome. By and large, all contracting parties would prefer not to be bound by any form of restraints so long as they could be assured that other countries would not claim for themselves the right to exercise a similar measure of freedom in a manner that might prove harmful to their individual national interests. If he remembered correctly, it was the late Lord Keynes who once remarked that Britain would, indeed, be highly prosperous and a supreme power in world affairs if, in international negotiations, she could persuade all other countries to tie their hands while leaving her own hands completely untied. Certainly in saying this, Lord Keynes merely desired to stress that international treaties represented a balance of rights and obligations and that the rights and privileges conferred on participating nations by such treaties could not be enjoyed without observance also of the obligations they had accepted thereunder.

Mr. Steyn trusted that the German delegation would not take it amiss if reference were made to this general principle as one which was particularly appropriate to the problem under consideration. They would readily agree that the Federal Republic, as one of the great trading nations of the world, had as much an interest as any other contracting party in the efficacy of the trading rules which had been laid down as the foundations on which the CONTRACTING PARTIES hoped to build an expanding and non-discriminatory system of world trade. If these rules fell into disrepute and if, in consequence, GATT's existence were jeopardized, the effects would bear heavily on all countries. In recent years there seemed to have been a somewhat disturbing tendency to place considerations of national economic or political interest above strict observance of the rules to which contracting parties had subscribed. Could the Agreement honestly be expected to be meaningful if this tendency were to persist and if contracting parties were to continue to display a divided loyalty towards what still represented the only effective organization for dealing with problems of trade on a world-wide basis? The Agreement could evidently not be more effective than contracting parties were prepared to make it through their individual and collective efforts to ensure the faithful observance of their obligations. On a number of occasions in the past the CONTRACTING PARTIES had had to deal with problems resulting from actions which were not completely in conformity with the provisions of the Agreement. It might therefore be contended that this further instance of a departure from the rules of the Agreement should not be regarded as a dramatic setback in the efforts to build a sane trading world. On the other hand, it was equally true
that the increased tendency towards lukewarm support of the Agreement must, in
the long run, jeopardize the effective implementation of the Agreement. The
matter under discussion was particularly important because it involved action
by one of the leading trading nations of the world and one whose policies
must inevitably establish undesirable precedents, injurious to the effective
implementation of the Agreement.

Mr. Steyn paid tribute to the Federal Republic as a great trading country
for the liberal commercial policies it had pursued during the difficult post-
war reconstruction. His observations were not made in any spirit of condemna-
tion, but in the hope that the German Government would bear in mind the great
responsibilities which rested upon it. It was realized that the Federal
Government was confronted with great difficulties, but it could not escape the
painful responsibilities which inevitably devolved on a country with a leading
role in world trade. In concluding, Mr. Steyn once more appealed to the
German delegation, and through them to their Government, to reconsider their
position, and to submit proposals at the present Session which would at least
provide for a gradual relaxation of the remaining restrictions and the elimina-
tion of discrimination. On the latter point he would merely say that in South
Africa the German Government's plea for the need for sustained discrimination
could not be reconciled with the applicable provisions of the Agreement.

Mr. CASTLE (New Zealand) said that New Zealand was one of the countries
principally affected by the continued maintenance of the import restrictions.
As time passed without a settlement all contracting parties had come to realize
more and more forcibly that the issue was not simply a narrow one affecting
particular countries to a greater or lesser degree. On the contrary, the
problem directly concerned the basic principles which formed the essential
foundation of the Agreement. At the meeting of the Intersessional Committee in
May there had been a wide and deep appreciation of the momentous significance
of the Recommendation which the Committee had adopted. It had been hoped that
the German Government would be sensitive to these feelings. The statement by
the German delegation showed that while some progress would be made in
liberalizing industrial goods, the Federal Republic was still a long way from
taking effective steps to meet her obligations under the Agreement. Moreover,
there appeared to be little indication that the fundamental reasons for the
dissatisfaction of an overwhelming number of contracting parties had been fully
appreciated by the German Government. The New Zealand delegation would study
the statement with great care to see whether it offered a prospect of real
progress, but as no relaxation of items subject to the Marketing Laws would take
place real progress could, in fact, hardly be made.

As indicated by Mr. Nordmeyer at the Ministerial discussion, the New
Zealand delegation had listened with dismay to the Federal Minister's speech,
which seemed to show a drastic departure from the broad principles which under-
lie the Agreement. The mutual acceptance of rights and obligations was the
common ground on which the CONTRACTING PARTIES met and unless that was
preserved the Agreement could not be an effective instrument for the promotion
of world trade. All contracting parties were therefore directly affected by
the present issue. Tariff negotiations had been entered into with the Federal
Republic on the basis that she accepted the Agreement's broad philosophy of
multilateral trade and non-discrimination and would observe her commitments. The Federal Republic had been given the same consideration accorded all contracting parties in balance-of-payments difficulties, but now that such difficulties had ceased other contracting parties had a right to enjoy the full benefits of the concessions they had obtained. Mr. Castle, therefore, did not agree that the problem should be deferred for consideration at some later time. The German Government had admittedly real difficulties in reconciling its internal policies with its international obligations but that was not solved simply by ignoring international obligations. His delegation would be prepared to assist in finding a satisfactory solution if it were one which reduced the damage being caused and provided real prospects for the expansion, and not the contraction, of world trade. This must essentially proceed from a genuine desire on the part of the Federal Republic to find a solution in concert with other countries. In the past the CONTRACTING PARTIES had always found the necessary cooperation and flexibility in their procedures to meet the needs of countries in genuine difficulties. There was no reason why this should not apply in the present case. His delegation did not wish to see an unending argument with the Federal Republic which embittered feelings and hoped sincerely that it would still be possible to find a solution on a friendly cooperative basis. Goodwill had always been needed to make the Agreement effective and the German problem had been approached with goodwill. It was hoped that the Federal Government intended to reciprocate that attitude.

Mr. SWAMINATHAN (India) stated that he would confine his remarks to the restrictions still maintained on imports of manufactured goods since India's interest principally related to these goods. The general principles involved in the issue under consideration had been excellently set out by the representative of South Africa. It was gratifying to hear that some further measures of liberalization would be announced in the near future. However, as there had been no opportunity to peruse the new liberalization list, he would make only preliminary comments. Jute manufactures, one of India's important industrial exports, were still subject to import restrictions in the Federal Republic. As jute manufactures had been a traditional export to the Federal Republic there should not at present be any particular difficulty in liberalizing this commodity. India's current balance-of-payments difficulties made it most anxious to obtain the free entry in the German market of this and of some other products. For these reasons as well as for other reasons the Indian delegation doubted whether the waiver procedure would be entirely appropriate. It appreciated the undertaking of the German Government to keep the matter under continuous review and to consult with the contracting parties affected. Mr. Swaminathan hoped that in cooperation with the German delegation it would be possible to find a satisfactory solution. Nevertheless, India's present plight was of such a nature that it would require assurances even during the present Session that a satisfactory settlement would be reached. His delegation would therefore ask that consultations be immediately initiated with the German delegation.

Mr. HAGEN (Sweden), referring to the distinction which the German representative had drawn between several categories of imports which continued to be subject to restrictions, said that for each or for some of these categories special arrangements would have to be arrived at to ensure the
relaxation and subsequent removal of these restrictions. He would confine his remarks to the problem raised by the maintenance of import restrictions pursuant to the Marketing Law and which covered commodities such as grains, meat and fats. The Federal representative had reiterated the view of his Government that the Marketing Laws were "existing legislation" covered by the reservation under the Torquay protocol. In the opinion of the Swedish Government, the Federal Republic was entitled to avail itself of the reservation but, apart from these aspects, practical implications were involved. The CONTRACTING PARTIES had agreed to enter into broad discussions on their agricultural policies. As one of the main importers of agricultural products the Federal Republic would play an important part in that examination. It was hoped that the Federal Republic and the other large importing countries would agree to shape their agricultural policies in such a way as to avoid artificial increases in domestic production and to ensure the maintenance of a balanced expansion of imports. For a number of years Sweden had advocated action of this kind by the CONTRACTING PARTIES and was glad to see definitive steps in that direction.

On the other hand, the Swedish delegation saw no practical advantage in trying to devise a provisional short-term solution for the problem arising from the maintenance of import restrictions on these important agricultural products. The CONTRACTING PARTIES would be well advised to take note of the existence of the problem realizing that it had to be solved in its proper context. The issue should be left open for the time being until the problems arising in the field of trade in agricultural commodities had been considered. It would not be a satisfactory solution if the CONTRACTING PARTIES, in a desire to reach a decision at any price, were to arrive at a compromise leading to a sudden diversion of trade without remedying the basic causes of the problem. No decisions should be taken which might prejudice the momentous issues to be considered the following year, namely the agricultural question and the Western European regional arrangements. In concluding, Mr. Hagen said that the representative of Denmark had suggested an appropriate way to deal with the problem.

Mr. SCHWARZMANN (Canada) was disappointed to note that, in spite of the long delay and the many discussions which had taken place in GATT and in other international forums, the German Government had not yet found it possible substantially to modify its restrictive policy, to reduce discrimination or to reconcile its policies with the General Agreement. The question under consideration raised important issues of principle and had broad implications for the future efficacy of the Agreement. The problem extended far beyond the immediate effects which the restrictions might have on particular commodities or for individual countries. As a major trading nation the Federal Republic had a real responsibility to set an example in commercial policy. His delegation was gratified that liberalization measures had been announced on certain items and was prepared to examine an application for a "hard core" waiver to cover certain industrial items, but it could not see a justification for deferring action on other items. Concerning the agricultural products, it had been argued that since agricultural policies would be examined in GATT, consideration of the German case should be deferred for some time. However, the purpose of the general review of agricultural policies, which it was hoped would take place, was to reduce protectionism and to increase the effectiveness of the
Agreement in the agricultural field and not to further weaken its provisions. Indeed, the review would be prejudiced by deferring further consideration of the German agricultural problem. Like many other contracting parties, Canada recognized the special difficulties which the Federal Republic was facing in the agricultural field; this had been recognized by the CONTRACTING PARTIES who, in their Resolution of April, had invited the Federal Government to remove restrictions without delay while at the same time pointing out that there were agreed procedures for cases of special hardship. In conclusion, Mr. Schwarzmüller said that he accepted the German invitation to enter into discussions in a co-operative spirit.

Mr. JARDINE (United Kingdom) stated that since the Federal Republic ceased to have a balance-of-payments justification for maintaining import restrictions, there had been so many discussions about the failure of the Federal Republic to remove these restrictions or to reconcile them with the provisions of the Agreement on terms acceptable to other contracting parties that it seemed unnecessary to repeat all the arguments advanced on this matter. The conflict between the maintenance of these restrictions and the Federal Republic's obligations under the Agreement represented an important test case for the CONTRACTING PARTIES. There was an increasing danger of the rules not being observed where it did not suit a contracting party to observe them. The representative had spoken convincingly about the importance of international commitments being observed and about the interdependence of contracting parties in the matter of their observance.

While Mr. Jardine recognized the contribution of the Federal Republic to the development of international trade in recent years, it seemed legitimate to remind the Federal Government that their strong financial position behooved it to be as liberal as possible in admitting imports. The CONTRACTING PARTIES as a whole were entitled under the Agreement to expect the Federal Republic to remove the restrictions. The Federal Republic had her obligations too as an individual contracting party towards other contracting parties under the Agreement. If, as the German representative had indicated, there were some cases where the Federal Government felt that it could satisfy other contracting parties that a limited period of transition was necessary to enable an industry to adjust itself to the removal of restrictions, the "hard core" decision was available and the United Kingdom was prepared to take part in discussions on the matter. It could not be accepted that the Federal Republic had the right to retain restrictions for the benefit of her partners in the EEC.

Contracting parties would no doubt want to examine in the light of the statement how far restrictions on industrial products still remained. The plea that consideration of the restrictions on agricultural imports should wait upon consideration of the recommendation in the Experts' Report could not be accepted. As the Australian representative had said, the rules of the Agreement in this respect could not be expected to be lighter in the future than they were at present. In any case those rules existed; they were basically right and necessary and they should remain. The United Kingdom delegation recognized that in the agricultural sector there were import restrictions which might be an integral part of a system which the German Government needed to maintain to support their own farmers and that these restrictions could not be removed overnight. At the Montreal Conference, Commonwealth countries had recorded
agreement - subject to certain obligations to their producers - on the need to limit and to seek progressively to reduce the level of protection afforded to basic agricultural commodities where this tended to discourage domestic consumption or caused difficulties for low-cost producers elsewhere. Would the Federal Republic subscribe to this sentiment? Moreover, apart from protection, the methods used by the Federal Republic did invoke the disadvantages to which the Experts' Report drew attention so clearly and forcibly.

Moreover, quantitative control inevitably tended to involve rigid and arbitrary interference with trade. As Sir David Eccles had said in his speech at the Ministerial discussion: "Quotas inevitably tend to throw on the outside world an unfair burden of adjustment to the fluctuations in demand and supply inside the country imposing the quota." Though not directly concerned as exporter of foodstuffs to the Federal Republic, the United Kingdom had an indirect interest. Its market was open to all in the sense that there was practically no quantitative control of imports; its own producers and its normal suppliers were liable to be affected by rigid and arbitrary controls imposed by other importing countries. This could be illustrated by the disturbance of the market for butter in the United Kingdom earlier in the year. Therefore, in so far as some restrictions must be retained, the Federal Republic should try to mitigate their rigidities. For all these reasons, the right course for the Federal Government was to negotiate a satisfactory waiver without further delay. Mr. Jardine concluded by expressing the hope that the German authorities would yield to these representations and be prepared to modify their agricultural protection to take account of the interests of other contracting parties.

Mr. KLEIN (Federal Republic of Germany) thanked the contracting parties for the spirit of understanding and the goodwill they had shown in attempting to settle the issue under consideration. He would convey the views which had been expressed to his Government. His delegation was prepared to enter into discussions and consultations with any contracting party which considered it had an interest in the matter.

The CHAIRMAN in summing up stated that while delegations had approached the issue raised by the maintenance of the restrictions in a spirit of sympathy and understanding, there had been throughout a note of disappointment and concern that the response of the Federal Government to the Recommendation of the Intersessional Committee had not come nearer to what contracting parties would generally have found acceptable. He suggested that the debate be resumed after closer study of the liberalization measures announced by the German representative. In the meantime, contracting parties might continue discussions in a more informal way and examine the issue with the German delegation with a view to arriving at an understanding fully consistent with the principles and working procedures of the CONTRACTING PARTIES.

The CONTRACTING PARTIES agreed to adjourn further consideration of this item until later in the Session.
At the conclusion of the debate, Mr. PAPPANO (United States), referring to the remarks Mr. Dillon had made at the Ministerial discussion on the import restrictions imposed by Austria for balance-of-payments reasons, said that he was gratified to have received from the Austrian delegation information that, particularly in the non-agricultural field, discrimination between dollar and non-dollar imports had with certain exceptions been eliminated and that while this fact was not yet reflected in the Austrian liberalization list, in fact, the Austrian authorities were permitting such dollar goods to enter Austria freely. It was hoped that Austria would soon take further steps, particularly in the agricultural sector, to eliminate the remaining discrimination.

Mr. SCHWARZMANN (Canada) associated himself with the views expressed by the United States representative.

5. Cuban Tariff Reform

The CHAIRMAN recalled that at the Twelfth Session the Government of Cuba had been granted a waiver by the Decision of 30 November 1957 (BISD, Sixth Supplement, Page 27) in connexion with the renegotiation of Schedule IX. The negotiations contemplated were to be carried out pursuant to the provisions of paragraphs 1 to 3 of Article XXVIII, and where applicable, of Section A of Article XVIII.

Dr. VARGAS GOMEZ (Cuba) made a preliminary report to the CONTRACTING PARTIES on the present state of the Cuban tariff reform. Since the Decision of the CONTRACTING PARTIES the Republic of Cuba had notified the secretariat, and the countries with which it had negotiated tariff concessions within the framework of the General Agreement, of Decree No. 227 of 28 January 1958, whereby the new customs tariff had been promulgated. It had also sent them copies of the new Decree, of the tariff with its new table of rates and of Volume I of the concordance between the nomenclature of the old tariff and that of the new one.

The text of the new customs tariff had come into force on 24 February 1958 so far as the form, structure, text, terms and conditions of its rules or provisions and nomenclature were concerned. However, the general tariff, with its rates and notes, which only applied to countries not covered by conventions, did not come into force until 17 March 1958. The Cuban Government had suspended the application of the new conventional tariff until negotiations could be concluded with the countries with which Cuba had contracted trade or tariff obligations.

On 30 November 1957 the CONTRACTING PARTIES had decided that, pursuant to the provision of paragraph 5 of Article XXV of the General Agreement, the application to Cuba of the provisions of Article XI should be suspended to the extent necessary to enable Cuba, from the entry into force of the new tariff until the thirtieth day after the conclusion of the negotiations,
to take action to prevent abnormal imports of products listed in Schedule IX and affected by the negotiations designed to forestall the effect of the increased rates of duty provided for in the revised tariff. The Cuban Government had not found it necessary, however, to impose quantitative restrictions under the terms of this Decision.

Dr. Vargas Gomez reminded the CONTRACTING PARTIES of his Government's decision to enter into negotiations in concordance with the provisions of the General Agreement with a view to the possible modification or withdrawal of concessions consequent on the introduction of the new tariff. But negotiations could not yet be entered into since under its tariff legislation the Government was obliged to hold a public enquiry whenever changes were made in tariff rates. Furthermore, in preparing the documentation which had to be placed at the disposal of the Executive Secretary and the contracting parties concerned, the Cuban tariff authorities had found themselves in difficulties as regards the exact procedure to be followed.

In conformity with the Decision, the legal basis for reconciling the new customs tariff with the obligations contracted within the framework of the General Agreement was to be found in Articles XVIII and XXVIII. His Government was anxious to comply with the provisions of this Decision but was faced with the problem that the new nomenclature, system of duties, and rules of application of the new tariff were very different from those of the tariff previously in force. For these reasons the Cuban delegation proposed that the CONTRACTING PARTIES should set up a committee for the tariff negotiations so that in the course of the Session the Committee could make clear what were the appropriate negotiation procedures. Formal negotiations could then be opened as from 1 January 1959.

Dr. Vargas Gomez then stated that his Government had made formal application to initiate negotiations under Article XXVIII of the General Agreement. A preliminary list of items and sub-items of Schedule IX which would be the subject of such negotiations was included in the notification. The Cuban import statistics, by country of origin, had been made available for 1954-56 and those for 1957 were to be supplied in the near future. An English translation of "Esposicion de los Antecedentes y Efectes de la Reforma Arancelaria" would also be sent to the Executive Secretary and the contracting parties concerned. The Cuban delegation was at the disposal of the CONTRACTING PARTIES for any further information they considered relevant.

The CHAIRMAN proposed that delegations which wished to participate in the tariff negotiations with Cuba should inform the Executive Secretary as soon as possible. The participating governments would comprise a Tariff Negotiations Committee which would arrange for the conduct of the negotiations and deal with any problems that might arise.
6. Italy/Libya Waiver

- Sixth Annual Reports by Italy and Libya (L/858 and L/847)
- Request by Italy for Prolongation of the Waiver (L/899)

The CHAIRMAN referred to the Decision of 9 October 1952 which granted a waiver to enable the Government of Italy to accord special customs treatment to certain products imported from Libya. This waiver was extended to 31 December 1958 by the Decision of 25 November 1955 which also provided for a review of the situation at this Session. He drew attention to the Sixth Annual Report by the Governments of Italy (L/858) and Libya (L/847) and to the request by Italy for a further extension of the waiver (L/899).

Mr. PARBONI (Italy) presented his Government's Report and its request for a further extension of the waiver. The Report showed that Libyan exports to Italy in 1957, particularly of those products which benefited from the special customs treatment, were considerably higher than the levels recorded in the preceding year. On the basis of the statistics in the Report it could be concluded that the waiver had continued to exert a beneficial influence on the development of Libyan exports to Italy. The Italian Government had notified the CONTRACTING PARTIES that it had received a formal request from the Libyan Government for a retention of the special treatment and was prepared to accede to this request, provided the CONTRACTING PARTIES granted the necessary authorization. Should this be the case his Government, in full agreement with the Government of Libya would wish to make certain modifications, as enumerated in L/899, to the schedule of products at present subject to the special treatment.

Mr. MUSA (Observer for Libya) in presenting the Report by the Libyan Government also referred to a note by the secretariat relating to Libyan trade with Italy and other countries from 1955 to 1957 (L/833) and to a supplementary statement by his delegation on Libya's export trade (L/902). In submitting these documents for the consideration of the CONTRACTING PARTIES he felt sure that they would appreciate Libya's utmost endeavours to consolidate its trade position in order to enter into international trade upon a normal competitive basis as soon as possible. Libya's exports had sustained a gradual increase during the past five years, rising from £3,688,000 in 1954 to £4,752,000 in 1957. About half the total value of Libya's export trade was accounted for by agricultural products and it was hoped, therefore, that efforts being undertaken to improve the quality of products such as groundnuts, citrus fruit, potatoes and other vegetable products would create and further expand markets for these goods.

His Government felt encouraged by the progress already achieved despite difficulties arising mainly from adverse climatic conditions and competition from more advanced exporting countries. Measures had been adopted to enable the industrial and the agricultural system to cope with an expansion of external trade and to encourage domestic and foreign capital investment.
The Libyan Government was doing its utmost to promote exports with the object of entering world markets on a normal competitive basis and thus obviate the necessity of receiving special treatment. The fact could not be ignored, however, that Libya was a young nation in the process of economic development which was still in need of encouragement and assistance, and it would be some time before Libyan products could compete openly with the products of the more developed countries. Although it had been possible to develop alternative export markets, Italy, nevertheless, still constituted the main, if not the sole market, for certain staple exports, such as olive oil and canned tunny fish. The Libyan Government therefore considered it important to request the Italian Government for an extension of the waiver for a further period from 31 December 1958. Because of action taken so far and the measures of economic policy adopted, the number of commodities of Libyan origin which would in future require to be subject to special treatment under the waiver had been greatly diminished. The only important item to be modified was olive oil which was one of Libya's major export items. In view of the upward trend in Libyan olive oil production, due to new plantings, it was requested that the existing quota of 2,500 tons be increased to 3,500 tons. In conclusion, he expressed his thanks to the CONTRACTING PARTIES for their sympathetic consideration of Libya's need for outside assistance and paid special tribute to the Italian Government for their continued assistance towards furthering the progress of Libya's foreign trade.

Mr. JARDINE (United Kingdom) supported the request by the Italian Government for an extension of the waiver, but stated that his delegation would wish a more detailed examination of the particulars thereof. He presumed a working party would be set up for this purpose.

Mr. MEINOGLOU (Greece) said that he had observed the statement in L/899 that annual statistics had shown that the application of the special treatment had not in any way prejudiced other exporting countries. He supported the request for an extension of the waiver, but expressed the hope that the latter circumstances would continue to prevail should such an extension be granted.

The CHAIRMAN suggested that since the request for extension might involve questions which should receive careful consideration the best procedure would be to appoint a small working party.

The CONTRACTING PARTIES therefore agreed to refer this matter to a working party which it established with the following membership and terms of reference:

Chairman: Mr. M. Schwarzmann (Canada)

Membership:
- France
- Greece
- Italy
- United Kingdom
- United States
Terms of reference:

To examine the Sixth Annual Reports submitted by the Governments of Italy and Libya under the Decision of 25 November 1955 and the request by the Government of Italy for a further extension of the Waiver and to report to the CONTRACTING PARTIES.

7. Request by Australia for Authority to enter into Renegotiations
(SECRET/99/Add.3)

The CHAIRMAN recalled that under paragraph 4 of Article XXVIII the CONTRACTING PARTIES might, in special circumstances, authorize a contracting party to enter into negotiations for the modification or withdrawal of concessions subject to the procedures and conditions set forth in that paragraph. The Government of Australia had submitted a request for such authority in order to renegotiate an item in Part II of Schedule I.

Mr. RATTIGAN (Australia) referred to the reasons which motivated the request as described in SECRET/99/Add.3. As stated therein, the concession under Part I (most-favoured-nation tariff) would not be affected. The request submitted arose from a recommendation by the Australian Tariff Board, an independent tribunal which made recommendations to the Government as part of a process of keeping the Australian tariff up-to-date. It was important that the Board's recommendations, once approved, be put into effect with the least possible delay. The proposed tariff revision for certain cotton piecegoods, for which authority was now requested, would represent an important simplification of the existing tariffs as well as a rationalization in which some types would be subject to increased duties and some to reductions.

Mr. Rattigan pointed out that recently several contracting parties, with the approval of the CONTRACTING PARTIES, had undertaken revisions of their entire tariffs to take into account changed circumstances. It would seem, therefore, that such special circumstances were equally evident in the Australian Government's approach towards sectional tariff reconstruction. He added that should the necessary authority be granted, his delegation intended to carry out the negotiations in the course of the current Session.

The CONTRACTING PARTIES, after having heard the statement by the representative of Australia and in the light of the facts set out in document SECRET/99/Add.3, agreed that special circumstances existed in the sense of Article XXVIII:4 and decided to authorize the Government of Australia to enter into renegotiations.

Mr. PAPPANO (United States) reserved his delegation's position regarding concurrence in this finding.

The CHAIRMAN suggested that any contracting party which considered it had a "principal supplying interest" or "substantial interest" in the item should communicate such claim in writing, and without delay, to the Australian delegation while at the same time informing the Executive Secretary. Any
claims recognized by the Australian Government would be deemed to be
determinations by the CONTRACTING PARTIES within the terms of paragraph 1
of Article XXVIII. If no agreement could be reached between the Australian
Government and a contracting party claiming interest the matter might be
referred to the CONTRACTING PARTIES or to the Intersessional Committee.

It was so agreed.

The meeting adjourned at 5.05 p.m.