

GENERAL AGREEMENT ON
TARIFFS AND TRADE

RESTRICTED

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THE EUROPEAN FREE TRADE ASSOCIATION

Replies from the Member States to the
questions submitted by contracting parties

Under the procedures agreed upon by the CONTRACTING PARTIES at their fifteenth session (SR.15/7), contracting parties were invited to send to the Executive Secretary the questions they wished to put to the Member States of the European Free Trade Association concerning the provisions of the Stockholm Convention (L/1132) and its implementation. From the communications received, a consolidated list of questions was prepared and transmitted to the Member States (L/1151). The questions asked and the replies which have now been received are contained in this document.

INTRODUCTION

(Provided by the Member States of the European Free Trade Association)

The Member States of the European Free Trade Association are presenting the arrangements relating to the Association as a free-trade area in the sense of Article XXIV.

The Member States append below their replies to the questions submitted to them by the CONTRACTING PARTIES to the General Agreement on Tariffs and Trade in L/1151.

Certain questions indicate that contracting parties may fear that the development of the free-trade area, provided for in the Convention, will be harmful to trade between the Member States and other contracting parties to GATT. The Member States consider that such fears are unwarranted.

Nothing in the Convention should be construed as preventing Member States from pursuing liberal commercial policies towards countries outside the free-trade area. Article 37 provides that nothing in the Convention shall be regarded as exempting any Member State from obligations which it has undertaken by virtue of other international agreements, including the GATT, to which it is a party.

The Member States consider that the free-trade area will as its main result create, not divert, trade and that the consequent increase in prosperity within the area will lead to an expansion of trade, not only between the Member States themselves, but also between the Member States and countries outside the area. The formation of the Association is intended to further international trade, not only by contributing towards the promotion of an economically united Europe, but also by the pursuit of liberal commercial policies towards other countries. These intentions have been expressed by the Ministers of the Member States in the statements made by them on 20 November 1959 in Stockholm and on 12 March 1960 in Vienna. Moreover, one of the objectives of the Association as laid down in Article 2(d) of the Convention is to contribute to the harmonious development and expansion of world trade and to the progressive removal of barriers to it. The freedom which each Member State retains in its commercial policy towards third countries will permit it to take an active part in negotiations for the reduction of tariffs.

The Member States recognize the responsibilities which they as industrialized countries have towards the less-developed regions. The list of basic materials in connexion with the rules of origin will give these regions a generous access to the free-trade area for a wide range of their most important exports.

Certain questions addressed to the Member States indicate disquiet on the part of contracting parties about the origin rules in the Convention. The Member States have evolved these rules on as liberal a basis as possible and it is their intention to administer and interpret them in the same spirit.

The provisions in the Convention regarding agricultural products and the agreement between Member States regarding these products are an integral part of the free-trade association arrangements. Member States recognized that it was necessary to provide reasonable reciprocity to those of them whose economies depend to a great extent on exports of the products in question; they agreed that, having regard to their national policies, the objective of the Association should be to facilitate an expansion of trade which would provide that reciprocity. In pursuit of this objective and as a foundation for their co-operation in respect of agriculture, certain Member States have concluded, or are in the course of negotiating, agreements setting out measures to be taken, including the elimination of customs duties on some agricultural goods. The measures in this sector are limited to what was considered practicable in the circumstances prevailing, but the arrangements under the Convention will lead to the removal of barriers from a considerable trade in foodstuffs.

Certain questions addressed to the Member States by contracting parties indicate doubts whether provisions in the Convention whereby the Council can in some respects amend it, may not result in the achievement of the free-trade area being postponed beyond the end of the transitional period laid down in the Convention. The purpose of such powers is not to enable the Council to decide on substantial amendments inconsistent with the aim of the Member States to achieve and maintain a free-trade area, but to enable the Council to facilitate practical progress towards the achievement of the objectives of the Association without necessitating the use of the more cumbersome procedure laid down in Article 44.

I. THE ESTABLISHMENT OF THE FREE TRADE ASSOCIATION
AND OBJECTIVES

(Articles 1 and 2)

ARTICLE 1

Question 1

Do the Member States propose that the Association be considered as the kind of free-trade area covered by Article XXIV of the GATT?

Reply

Yes.

Question 2

Do the Member States consider that the Convention constitutes an "interim agreement" with a view to the formation of a free-trade area or an agreement establishing such an area?

Reply

The Convention is an agreement for the establishment of a free-trade area within a specified transitional period.

Question 3

The Convention does not provide for the elimination of tariffs, quotas and other barriers to trade in significant economic sectors, i.e. agricultural goods, fish, most other marine products listed in Annexes D and E, respectively.

- (a) How do the Member States reconcile these arrangements with Article XXIV of the GATT?
- (b) If the Member States do not consider that these arrangements conform with Article XXIV, how do they plan to deal in GATT with this aspect of the Convention? In particular, what justification is there for this deviation from the provisions of Article I of the GATT?

Reply

- (a) In the particular case of the Convention given the volume of the trade in products falling outside Annexes D and E, together with the trade in products falling within Annex D in regard to

which barriers are removed from imports into certain Member States from other Member States, the Member States consider that the arrangements provided for under the Convention constitute a free-trade area in the sense of Article XXIV. See the introduction.

(b) Does not arise.

Question 4

On what percentage of the trade between the Member States in products originating in their territories will duties be eliminated? (See also question 67)

Reply

Not less than 90 per cent.

Question 5

Would the Member States indicate how the percentage stated in answer to the preceding question is arrived at, indicating whether account has been taken of the removal of duties on agricultural products where the bilateral agreements referred to in Article 23 provide for the elimination of customs duties on some agricultural goods?

Reply

The percentage has been calculated on the basis of trade statistics for 1957. Account has been taken of the removal of duties on certain agricultural products, imported into the United Kingdom from other Member States, as provided for under the Convention by virtue of the agreement between Denmark and the United Kingdom and on certain fish products imported into Switzerland from other Member States, as provided for under the Convention by virtue of the agreement between Denmark and Switzerland. A statistical table is attached (Annex A).

Question 6

Having regard to the fact that not all Member States are parties to the GATT, is it the intention of the Member States to request the ~~CONTRACTING PARTIES~~ to approve the formation of the free-trade area in accordance with the provisions of Article XXIV:10 of the GATT?

Reply

Member States consider that the Convention constitutes a free-trade area in the sense of Article XXIV:8(b).

Question 7

Does acceptance of the Convention entail, for the Member States which are not parties to the GATT, any obligations toward third countries similar to those arising out of Article XXIV of the GATT for other members of the Association?

Reply

Although the Convention itself contains no specific obligations toward third countries, each Member State has subscribed to the objectives of the Convention, including Article 2(d). Furthermore, Article 37 explicitly states that nothing in the Convention shall exempt Member States from their obligations under other international agreements.

Question 8

The provisions of the Convention establishing a free-trade area will be implemented at the end of a ten-year period. Would the Member States agree to keep the CONTRACTING PARTIES informed in advance of all important developments and afford an opportunity for discussions of any pertinent issues before final decisions are taken by the institutions of the Association?

Reply

The Member States, in accordance with Article XXIV:7, will be ready to keep the CONTRACTING PARTIES informed of progress in the establishment of the free-trade area and will at any time be ready to consider representations made to them by individual contracting parties in accordance with Article XXII. The Member States could not accept that there should be any obligation to provide the CONTRACTING PARTIES with opportunity for discussion before final decisions are taken by the institutions of the Association.

ARTICLE 2

Question 9

In the communiqué issued at Stockholm, 20 November 1959, the Member States declared that the Association is a further expression of the post-war drive toward lower trade barriers, and reflects the principles which have been established by the GATT. Further, Article 2 of the Convention stipulates that one of the objectives of the Association is "to contribute to the harmonious development and expansion of world trade and to the progressive removal of barriers to it."

- (a) What are the measures the Member States intend to take for the fulfilment of the above principles and objective of the Association?

- (b) In particular, what practical measures are contemplated by the Member States for the reduction of customs duties vis-à-vis third countries, apart from establishing a standstill on the increase thereof in accordance with Article XXIV:5(b)?
- (c) In proceeding with liberalization of trade vis-à-vis third countries, will the Member States act in a manner consistent with the general principles of non-discriminatory treatment prescribed in the GATT?

Reply

- (a) In the spirit of Article 2, the Member States will further the objectives of the General Agreement and continue to play their part in the work of the CONTRACTING PARTIES to this end.
- (b) The Member States intend to take part in the forthcoming Tariff Conference to the extent appropriate to the circumstances of each individual Member State. They would not, however, accept any implication that under Article XXIV:5(b) they forfeit their rights under Article XXVIII in respect of bound duties or the freedom which contracting parties enjoy in respect of unbound duties.
- (c) In the relaxation and removal of restrictions, the Member States will act in accordance with their obligations under the relevant provisions of the General Agreement, including Article XXIV.

Question 10

How is it proposed to attain the objective, referred to in Article 2(c), of avoiding significant disparity in the conditions of supply of raw materials?

Reply

Articles 8, 11, 14, 15, 16 and 31 are designed to attain this objective.

II. IMPORT DUTIES

(Article 3)

Question 11

This Article provides that Member States shall not apply any import duties between themselves on and after 1 January 1970. Article 20, paragraphs 1 and 5, however, envisage the use of certain "measures" in addition to quantitative restrictions in case of difficulties in particular sectors. There is also provision for eventual postponement in reductions of duties.

- (a) Is there a danger that even if Member States achieve the target date set in the Article, the elimination of internal tariffs for a number of tariff items could be postponed even beyond the transitional period?
- (b) Having regard to Article 6, what revenue duties and taxes of equivalent effect are at present effective in Member States and what part of each will not be subject to the rule regarding the elimination of customs duties between members?

Reply

- (a) It is envisaged that any derogations allowed by the Council from the time-table for the reduction and elimination of duties would be for limited periods only; it is most improbable that a request for derogation would be made and granted so late in the transitional period that the period of derogation would last beyond the transitional period and, even if this were to arise, the overlap beyond the end of the transitional period would be limited.
- (b) Lists of revenue duties to which each Member State intends to apply Article 6 will be submitted as soon as possible. Any protective element in such duties will be eliminated.

ARTICLE 3(1)

Question 12

Would the Member States supply all available information concerning "other charges with equivalent effect", indicating those which are actually in force in the Member States?

Reply

Article 3 is intended primarily to apply to customs duties imposed at the time of entry and the words "other charges with equivalent effect" are intended to ensure that the definition covers all possible import duties

and charges. Member States, other than Portugal, do not have in force any such charges other than customs duties imposed at the time of entry. Information can be supplied.

ARTICLE 3(3)

Question 13

Would the Member States show how to determine a basic duty for a product to which different rates of duty are applicable by means of a tariff quota?

Reply

The basic duty will be the extra-quota rate of duty. See second sentence of paragraph 1 of Annex A to the Convention.

ANNEX A

Question 14

(a) Annex A, paragraph 1

Would the Member States explain fully the meaning of the second and third sentences and give relevant examples?

(b) Annex A, paragraph 2(c)

Would the Member States supply all available information about the lists which have been notified by the Member States in accordance with this paragraph?

(c) Annex A, paragraph 8

This paragraph appears to permit the Council to authorize any Member State to adopt any rate of duty as the basic duty for any product:

(a) Why is such a provision necessary?

(b) What would be the probable effect of action by the Council under this provision?

(d) Annex A, paragraph 9

Is it the intent of this paragraph that Member States will remain free, in their trade with non-member States, to maintain the customs duties which they applied to such trade prior to the entry into force of the Convention if the provisions of Article XXIV:5(b) of the GATT so require?

Reply

(a) Annex A, paragraph 1

The purpose of the second sentence is to ensure that the normal rate of duty is the basic duty even where there is a tariff quota at a lower rate or where specific consignments are admitted at a lower rate under a licensing or control scheme, e.g. a licence may be granted for the duty-free admission of certain machines. The purpose of the third sentence is to ensure that, where goods are admitted unconditionally at a lower rate of duty in unlimited quantities but for specific purposes, the lower rate of duty shall be the basic duty for goods imported for those specific purposes.

(b) Annex A, paragraph 2(c)

This is only relevant with regard to the United Kingdom. The list submitted by the United Kingdom is attached (Annex B).

(c) Annex A, paragraph 8

(a) To provide for unforeseen administrative problems.

(b) Probably negligible.

(d) Annex A, paragraph 9

Member States will retain their freedom but paragraph 9 of Annex A is not relevant to this freedom. As regards Article XXIV:5(b) see the reply to Question 9(b).

III. AREA TARIFF TREATMENT

(Article 4)

Question 15

This Article provides that goods shall be subject to Area tariff treatment under three basic conditions. How will these be administered so as to ensure that the present terms of access of imports from outside countries will not be adversely affected and that the origin rules will not raise barriers to the use of non-member countries' materials in more processed goods for re-export to the other members?

Reply

Origin rules are an essential feature of any free-trade area; the origin rules of the Convention are of a liberal character, e.g. the Basic materials list, and cannot result in less favourable tariff treatment for goods imported from outside the Area of the Association than such goods have enjoyed hitherto.

Question 16

Although the rules of origin have been worked out and described in considerable detail by the Member States, the actual operation of the rules and any consequent effects on the trade of outside countries are matters which will become more clearly delineated in the future. In particular, the process rules are highly technical and difficult fully to evaluate from the viewpoint of outside countries. Would the CONTRACTING PARTIES be correct in assuming that the Member States will accordingly give sympathetic consideration to detailed representations which other contracting parties may wish to make, with a view to averting or correcting adverse effects on the trade of outside countries arising from the operation of the origin rules? Assurances from the Member States on this point would be welcomed.

Reply

The Member States will consider carefully the representations of other States about the effects of the origin rules.

Question 17

Under the rules for determining goods eligible for Area tariff treatment, products originating in countries outside the area to which preferential tariff treatment is accorded by a Member State are eligible for Area tariff treatment when they have been subjected to a certain amount of processing within the Area.

- (a) Will the Member States apply the provisions of the interpretative note to paragraph 9 of Article XXIV in Annex I to the GATT within the framework of the rules on origin laid down in paragraphs 1 and 2 of Article 4?
- (b) If not, is it the intention of the Member States to apply such differential rates of duty in the event that the rules on origin are made more liberal as a result of the application of paragraphs 3, 5 and 6 of Article 4?
- (c) How will the Member States apply the provisions of the interpretative note should the occasion arise?

Reply

(a), (b) and (c)

Products imported at a preferential rate of duty and subjected to processing in a Member State will enjoy Area tariff treatment, when imported into other Member States, if they satisfy the origin rules, just as would like products imported at the most-favoured-nation rate of duty and similarly processed. But any other product imported into a Member State from outside the Area, whether at most-favoured-nation or preferential rates, and re-exported to other Member States, will be liable to the normal rate of duty applied by the latter Member State because it will not qualify for Area treatment under the origin provisions.

ARTICLE 4(1)

Question 18

Why is the "percentage rule" not applicable to goods listed in Schedule II which is concerned mainly with textiles and clothing?

Reply

The 50 per cent rule has not been made applicable to textiles and clothing because a general formula would not have taken into account the complexity of the problems in this sector and the various interests involved.

ARTICLE 4(3)

Question 19

- (a) Do the words "any goods" include imported goods which are not of Area origin?
- (b) If so, do the Member States intend to take necessary measures so that the application of the provisions of this paragraph would not be arbitrary and discriminatory to third countries?

Reply

- (a) The words "any goods" could, in theory, include imported goods not of Area origin if imported from another Member State. The purpose of the provision is to allow Member States to apply more lenient origin rules than those laid down in the Convention if they wish.
- (b) Member States would observe their obligations under the GATT as regards non-discrimination between imports from different third countries.

ARTICLE 4(6)

Question 20

- (a) Are the amendments foreseen in this paragraph only designed to make the rules simpler and more liberal? Or could the rules be amended so as to ensure "the smooth operation" in a restrictive direction?
- (b) Would the rules be amended in a restrictive direction to correct so-called problems of deflection of trade?

Reply

- (a) Power is given, in paragraph 5 of Article 4, to amend the rules as may in practice be found necessary to ensure their smooth operation; the aim would be to make the rules simpler and more liberal.
- (b) Insofar as deflections of trade arise, the possibility of amending the origin rules so as to limit Area tariff treatment to goods which can properly be regarded as entitled to it is not excluded. Decisions in this field will be taken ad hoc and will require unanimity.

IV. DEFLECTION OF TRADE

(Article 5)

Question 21

Will a determination as to whether trade is being deflected, within the meaning of this Article, be based on the trade situation existing prior to the adoption of the Treaty, or will any subsequent changes be taken into account?

Reply

It is envisaged that the Council would take all relevant factors into account and would not confine themselves to a comparison of a current situation with the situation existing before the adoption of the Treaty.

Question 22

- (a) Do the measures provided for in this Article concern deflections of trade arising out of disparities between the quantitative restrictions imposed by two or more members towards States outside the Area?
- (b) If not, does the Convention provide for measures directed towards the elimination of such deflections of trade, and what are these measures?
- (c) If the Convention does not provide for any such measures, is the Council empowered under paragraph 7 to take such measures after amending Article 5?

Reply

- (a) No.
- (b) The Convention does not deal with this question.
- (c) It is impossible to say what measures the Council would take under a hypothetical amendment to Article 5; but Article 5 clearly relates to deflections of trade resulting from tariff disparities.

Question 23

In a case where deflection of trade is caused by a difference in the level of duties or charges on goods not eligible for Area tariff treatment, what measures will be taken by the Member States in order to remedy the situation?

Reply

[See reply to Question 28]

Question 24

What do Member States intend to do to avoid frequent resort to the provisions of Article 5 and to maintain the stability of their external tariffs? Is there a danger that those provisions would become at the same time a factor inhibiting reductions in external tariffs and contributing to increases in external tariffs with the danger of an unravelling of the GATT schedules?

Reply

Member States do not expect frequent resort to the provisions of Article 5 resulting in changes in their external tariffs. The answer to the second part of the question is "No".

Question 25

In case of decisions bearing on terms of access for outside countries, do Member States intend to enter into prior consultations with the outside countries likely to be affected?

Reply

Outside countries would be consulted by the Member States concerned to the extent that the external obligations of the latter required such consultation.

ARTICLE 5(1)

Question 26

What criteria will be used to determine when injury has occurred or will take place?

Reply

Each case will have to be examined on its own merits.

ARTICLE 5(2)

Question 27

Is the Council, under the terms of this paragraph, empowered to take preventive measures, or is it empowered to take action only after it has been determined that trade is being deflected within the meaning of paragraph 1?

Reply

The Council is empowered to take decisions under paragraph 2 only in the circumstances defined in paragraph 1.

Question 28

This paragraph authorizes the Council to deal with causes of trade deflection by amending the rules of origin in accordance with paragraph 5 of Article 4 or "by such other means as it may consider appropriate".

- (a) What are the "other means" that the Council might employ to give effect to this broad language?
- (b) If Member States are considering tariff harmonization as a means of dealing with trade deflection, would they be willing to undertake harmonization towards the lowest rather than the highest duty?
- (c) In the absence of an amendment to the rules on origin, is the Council empowered, under the terms of this paragraph, to take measures of tariff harmonization in respect of raw materials or intermediate products which are not accorded Area tariff treatment and which enter into the manufacture of a product, trade in which is being deflected?
- (d) If so, by what means will the measures of harmonization be so implemented as to be consistent with the provisions of the GATT?
- (e) If not, would it nevertheless be permissible for the Council to take such measures, under paragraph 7, after having amended the provisions of Article 5?
- (f) Would the Member States give an assurance that quantitative restrictions will not be used to combat trade deflection?

Reply

- (a) The second sentence of paragraph 2 is drafted in general terms so as not to limit the Council in their consideration of what may be appropriate in the circumstances of a particular case. Thus, for example, as an alternative to amendment of the rules of origin in accordance with Article 4(5), agreement might be reached to adjust an external duty consistently with the rights and obligations of the Member States concerned.

- (b) and (c) The Council is not empowered to "take measures" of tariff harmonization. It would, however, have the power to reach a decision that tariffs of Member States should be adjusted and, whenever feasible, lowered, if it were unanimously agreed that such adjustments were the appropriate remedy.
- (d) Each Member State would be responsible for ensuring that any tariff adjustments which it agreed to make were consistent with its obligations and rights under the GATT.
- (e) It is impossible to say what measures the Council could take under a hypothetical amendment to Article 5.
- (f) As Article 37 recognizes, nothing in the Convention can be regarded as exempting Member States from their international obligations. It would in the view of the Member States be inconsistent with GATT for Member States, in order to deal with deflections of trade, to apply quantitative restrictions to imports from non-member countries to which they have assumed GATT obligations.

ARTICLE 5(3)

Question 29

What measures do the Member States envisage may be authorized as "interim measures", in order to safeguard the position of the Member State in question?

Reply

Interim measures would be devised to prevent the situation from deteriorating further and to allow time for the Council to enquire into the matter and reach a final decision.

Question 30

If even as an interim measure an increase in bound duties is recommended and implemented, when and how do the Member States propose to comply with the provisions of Article XXVIII of the GATT, applicable in cases of withdrawal or modification of concessions?

Reply

Interim measures would not embrace adjustments in bound external duties.

Question 31

Question 31

Assuming that under paragraphs 2 and 3 a Member State may be asked to modify its duties to deal with causes of deflections of trade, is it envisaged that the tariff adjustments can be made through either increased or reduced duties vis-à-vis third countries?

Reply

Yes, with due regard to the obligations and rights of Member States.

Question 32

It is noted from paragraph 3 that interim measures to safeguard a country against the effects of deflections of trade may be taken by the country affected but shall not continue for longer than two months with an additional two months in exceptional circumstances.

- (a) If the situation which gave rise to the need for the safeguarding measures still continues at the end of this period, what is the nature of the measures that would be contemplated in such circumstances?
- (b) What measures are contemplated to avoid deflections of trade adversely affecting non-members?

Reply

- (a) Long-term measures would fall to be taken under Article 5(2) and would be as described there.
- (b) This question is not fully understood. If it refers to deflection of trade as defined in Article 5(1) such deflection cannot have adverse effects on non-members' trade with the Association as a group. If it relates to the general effect of the Association, the Member States will point out that interests of non-members will be taken into account in accordance with the objective of the Association to contribute to the harmonious development and expansion of world trade, as set out in Article 2(d).

ARTICLE 5(4)(5)

Question 33

In paragraph 4, Member States are required to notify the Council prior to any reduction in their external tariffs and must take into account representations made by other Member States.

- (a) By what means is it envisaged that this procedure, as well as those in paragraphs 2 and 3, will be so administered as to ensure that Member States will be free to reduce barriers to trade and participate actively and meaningfully in tariff negotiations, including the new general round of negotiations to be held in 1960-61?
- (b) In what way do the Member States intend to fulfil the obligations under this paragraph in the course of the new round of tariff negotiations in 1960-61?

Reply

- (a) Article 5(4) requires a Member State to consider representations from other Member States only if they are representations that a reduction of duty would result in a deflection of trade. The Member States do not consider that this provision will affect their freedom to participate actively and meaningfully in tariff negotiations.
- (b) By keeping each other informed.

Question 34

- (a) Under the Article 31 procedures, applicable to cases of trade deflection resulting from a tariff reduction by a Member State towards countries outside the Area after the Convention has entered into force, is the Council empowered to recommend that the Member State should reinstate the former rate of duty for an indefinite period?
- (b) If so, will the Member State be deemed to be defaulting in respect of an obligation arising out of the Convention if it does not carry out the Council's recommendation, and would it be possible for the Council, under paragraph 4 of Article 31, to authorize another Member State to take certain retaliatory measures?

Reply

- (a) It would be open to the Council to make such a recommendation. Equally, the Council might recommend the reduction of a duty by another Member State.
- (b) The Council may only take action under Article 31(4) if a Member State has not fulfilled its obligations under Article 5(5), and that Member State does not comply with a recommendation directed to remedy this situation.

ARTICLE 5(7)

Question 35

- (a) In view of the decisive importance which decisions taken by the Council under the terms of this paragraph might have with regard to the legal status of the Association, is it the intention of the Member States to notify the CONTRACTING PARTIES of any decision involving a substantial amendment of Article 5?
- (b) Will the CONTRACTING PARTIES be given an opportunity to examine amendments proposed to Article 5 before their final submission to the Council?

Reply

- (a) It is not intended that amendments under Article 5(7) will be of such importance that they would change the legal status of the Association. The CONTRACTING PARTIES will be informed of substantial amendments of Article 5.
- (b) No. See answer to Question 8.

V. REVENUE DUTIES AND INTERNAL TAXATION

(Article 6)

Question 36

- (a) What is meant by the term "effective protective element" in paragraph 3?
- (b) When the "effective protective element" in internal taxes or other charges is eliminated, is it intended that similar taxes or charges will be eliminated at the same time for imports from non-member countries?

Reply

- (a) The effective protective element consists of the difference between the duties or other charges on imported goods and charges borne directly or indirectly by like domestic products or by competitive and substitutable domestic products.
- (b) Member States will comply with their international obligations.

Question 37

- (a) Does this Article envisage the retention of certain revenue duties on imports from other Member States?
- (b) If so, is it intended that goods from Member States and from outside countries will be accorded equal treatment with respect to revenue duties?
- (c) If this Article does envisage the retention of certain revenue duties on imports from other Member States, what is thought to be the relationship between this Article and the requirements of Article XXIV:8 of the GATT?

Reply

- (a) Yes.
- (b) Yes, except insofar as any effective protective element is removed only in respect of imports from Member States.
- (c) As any effective protective element in the revenue duties applied to imports from other Member States will be eliminated under the Convention, the application of a revenue duty at the time of importation has the same effect as the application of a non-discriminatory internal tax after importation and the Member States do not consider that Article 6 is inconsistent with Article XXIV of the GATT.

Question 38

Assuming that a customs duty on a given product did not include any protective element, direct or indirect, by reason of the fact that there was no domestic production of like goods or of similar goods from a competitive point of view, would such duty be regarded as a purely fiscal duty and would such duty fall fully outside the scope of the rules of paragraph 3(b)?

Reply

If such a duty is applied primarily for the purpose of raising revenue, it is open to the Member State applying it to notify the Council that it is regarded as a revenue duty under Article 6. Paragraph 3(b) would then apply, but, if there was no protective element in the duty, there would be no obligation to reduce the duty.

Question 39

In view of the obligation under Article XXIV:7 of the GATT, are the Member States prepared to furnish the CONTRACTING PARTIES with all information which they are to notify to the Council in accordance with paragraphs 3(c), 4 and 5 of this Article?

Reply

The Member States are prepared to furnish this information.

Question 40

Could the Member States give some indication of the volume of trade covered by the revenue duties now in force?

Reply

Yes. Information can be furnished when the revenue duties have been notified to the Council.

VI. DRAWBACK

(Article 7)

Question 41

In the circumstances where a Member State has to remove its drawbacks in order to qualify for Area tariff treatment, would Member States endeavour to continue giving drawbacks on materials used in the production of goods exported to third countries?

Reply

The situation concerning drawback with regard to export of third countries has not been changed by the establishment of the Association.

VII. PROHIBITION OF EXPORT DUTIES

(Article 8)

ARTICLE 8(1)

Question 42

Could a full account of export duties which are actually in force in the Member States be provided?

Reply

There are no export duties in the sense of Article 8 in Austria, Denmark, Norway, Sweden and the United Kingdom. Lists of export duties in force in Portugal and Switzerland are attached (Annexes C and D).

VIII. QUANTITATIVE IMPORT RESTRICTIONS

(Article 10)

Question 43

Do the provisions of this Article apply to quantitative restrictions maintained by a Member State on 1 July 1960 for the purpose of safeguarding its balance of payments?

Reply

Yes.

Question 44

What protection could a Member State expect from the Convention against deflections of trade resulting from the fact that the Member State concerned was maintaining quantitative restrictions towards countries outside the Area, while applying the provisions of this Article to other Member States only?

Reply

The Convention does not deal with this question.

Question 45

This Article requires Member States to remove progressively all their quantitative import restrictions as soon as possible and not later than 31 December 1969. The GATT provides that a contracting party applying quantitative restrictions must relax them with an improvement in its balance-of-payments position. Further, it has been recognized by the International Monetary Fund and the GATT that there is no longer any balance-of-payments justification for discrimination by members whose current receipts are largely in externally convertible currencies, and that it should be eliminated in a short period of time.

- (a) It is assumed that the removal of quantitative restrictions will in no way detract from the obligation of individual member countries under the balance-of-payments provisions of the GATT; contracting parties would welcome assurances to that effect.
- (b) Does paragraph 2 of this Article envisage that quantitative restrictions imposed for balance-of-payments reasons would be eliminated earlier than would be necessary in order to conform with the other international obligations of the Member States?
- (c) Do the obligations under this Article mean that the removal of restrictions against Member States could conceivably be effected without similar treatment being accorded to non-member countries?
- (d) Similarly, do the obligations under this Article mean that for a Member State experiencing an improvement in its balance-of-payments position, progress in the removal of restrictions against third countries would tend to be slowed down?
- (e) What is proposed for the elimination or relaxation of restrictions on imports from third countries to comply with the Decision by the Fund on discrimination as confirmed by the CONTRACTING PARTIES?
- (f) Will the implementation of Article 10 result in an intensification of discrimination against non-members?

Reply

The Convention envisages the removal of quantitative restrictions imposed for balance-of-payments reasons against imports from other Member States, not less quickly, subject to the provisions of Article 19, than the provisions of Article 10 specify. In respect of remaining restrictions maintained for balance-of-payments reasons Member States will act in accordance with their obligations under the relevant provisions of the GATT, including Article XXIV. The Member States, still maintaining restrictions for balance-of-payments reasons, hope that they will find it possible to remove them in respect of imports from other sources, at least as quickly as Article 10, subject to Article 19, requires the removal of restrictions on imports from other Member States. It is not the intention of Member States to use quantitative import restrictions to create a preferential system between themselves.

Question 46

Do the Member States now impose any "restrictive regulations of commerce" other than customs duties and those permitted by Articles XI, XII, XIII, XIV, XV, and XX of the GATT, such as restrictions maintained in accordance with the Protocol of Provisional Application of the GATT? Are such restrictions on products covered by the Convention to be eliminated in accordance with paragraph 2 of Article 10? If so, is it intended that such restrictions be eliminated in the case of imports from other contracting parties to the GATT as well as from Member States?

Reply

The Member States no longer impose import restrictions justified under the Protocol of Provisional Application on products falling under Article 10.

The United Kingdom however, retains a few restrictions which were formerly justified under Article XII and which still apply to imports from the other Member States covered by Article 10. The United Kingdom intends to make further progress in removing these restrictions as quickly as possible although there are some special problems which it will take time to resolve. Under the Convention the United Kingdom is required to remove the restrictions from imports from Member States no less speedily than Article 10(2) requires. The United Kingdom will keep her action as regards the restrictions in question in relation to imports from other countries to which she has obligations under the GATT in step with her action as regards the restrictions in relation to imports from Member States.

In the case of Switzerland, paragraph 1(b) and (c) of the Declaration on its provisional accession to the General Agreement of 22 November 1958, is applicable.

In the case of Austria the reservations made at the time of her accession to the GATT are considered being kept in force.

ARTICLE 10(5 - 7)

Question 47

- (a) Will Member States be free, after 1 July 1960, to establish global quotas available to Member States and to non-member countries alike?
- (b) Is it necessary that a distinction should be made between imports from Member States and imports from non-member countries in the administration of any global quotas which may be established?
- (c) Would it be correct to interpret the provisions of paragraphs 5 to 7 as meaning that some global quotas, as defined in paragraph 11(c), will not be open to outside countries? If this is correct how do the Member States reconcile such a situation with the provisions of GATT and Article 37 of the Convention?
- (d) Will the global quotas which are open also to non-member countries, including the 20 per cent annual increases, be applied on an entirely non-discriminatory basis as between Members and non-member countries, so that the non-member countries can compete for a share in the quotas, including the increases, on an equal basis with Members?
- (e) Will the new global quotas envisaged in paragraph 5 be open to non-member countries which are contracting parties to GATT?
- (f) Will the quantities added to the basic quotas on the basis of past imports from certain non-member countries be open to all non-member countries contracting parties to GATT?
- (g) In the case of global quotas which are open to non-member countries, could a list be furnished showing for each Member State which outside countries can compete for a share of each quota at present in force?
- (h) What are the products covered by the Convention in respect of which global quotas are not at present open to all contracting parties to GATT? In the case of such products, which are the contracting parties to which those global quotas are not open?
- (i) What policies will be followed by Member States in order to assure that the annual increases in quotas open to Members only will not result in the creation of preferential quota positions for Member States as compared with countries which are not Members?

Reply

- (a) The Convention does not preclude this.
- (b) The Convention does not require such a distinction to be made.

- (c) The Member States have felt justified in providing for the globalization of quotas, applied to imports from other Member States, while remaining free to maintain, if they so wish, for imports from other sources, separate quotas applied consistently with Article XIII and other relevant provisions of the General Agreement, including Article XXIV.
- (d) Yes.
- (e) The Convention does not oblige Member States to open the new global quotas to non-member countries; see answers to Questions 45 and 46.
- (f) Not necessarily.
- (g) and (h) Lists will be furnished as soon as the global quotas have come into force.
- (i) See replies to Questions 45 and 47(c).

Question 48

A Member State experiencing some balance-of-payments difficulties might find it possible to increase its quotas in accordance with Article 10 for Member States without too great a strain on its reserves, while considering that its balance of payments was too precarious to permit a simultaneous increase in its quotas open to non-members. What would be the appropriate conduct for the Member States in these circumstances in the light of the Convention, assuming that the Member State is a contracting party to GATT or a Member of the IMF?

Reply

See replies to Questions 45 and 47(c).

ARTICLE 10(6)

Question 49

What criteria will be used in establishing the quotas "of appropriate size" which are to be substituted on 1 July 1960 for quotas which are nil or negligible?

Reply

No criteria are laid down in the Convention but the intention is that quotas established under Article 10(6) shall be expanded in accordance with the principle in Article 10(3) and should be of such a size that, with the provisions for their increase, it will be possible to eliminate the quotas by January 1970.

Question 50

This paragraph might be regarded as corresponding to the provisions of Article 33, paragraph 2 of the Rome Treaty. Are the Member States considering setting up an initial quota of the same size as that provided in the Rome Treaty (3 per cent)?

Reply

See reply to Question 49.

Question 51

Will quotas established under this paragraph and increased in terms of paragraph 7 be applied in a non-discriminatory manner to non-member States?

Reply

See replies to Questions 45, 46 and 47(c).

Question 52

What measures of liberalization do the Member States intend to take for the products which have not been liberalized to third countries?

Reply

See replies to Questions 45 and 46.

ARTICLE 10(8)

Question 53

This paragraph provides that Member States may propose and the Council may authorize "alternative arrangements" if the application of this Article to a particular product would cause "serious difficulties".

- (a) What criteria are contemplated for determining the existence of "serious difficulties"?
- (b) What types of "alternative arrangements" are envisaged?
- (c) Will this paragraph continue to apply after the end of the transitional period?

Reply

- (a) and (b) These are hypothetical questions which can only be decided at the time of application of Article 10(8).
- (c) The effect of Article 10(2) is that Article 10(8) cannot apply after the end of the transitional period.

ARTICLE 10(10)

Question 54

Is the Council empowered under this paragraph to extend the date-line of 31 December 1969, laid down in paragraph 2 for the elimination of quantitative restrictions?

Reply

Although this is not excluded, it is not expected that the Council will extend the date-line. The aim of Article 10(10) is to secure compliance with Article 10(2).

ARTICLE 10(11)

Question 55

Do the definitions contained in paragraph 11 (b) and (c) mean that global quotas will continue to be open only to those non-members to whom those global quotas were open in the calendar year 1959?

Reply

These definitions are of a technical character, and do not have the effect suggested in the question.

IX. QUANTITATIVE EXPORT RESTRICTIONS

(Article 11)

ARTICLE 11(?)

Question 56

Would the Member States give examples of export restrictions which are actually applied to exports to territories outside the Area of the Association?

Reply

Apart from restrictions covered under Article 12, most Member States apply restrictions on exports of metal scrap, and some Member States also apply restrictions on exports of timber and hides and skins.

X. GOVERNMENT AIDS

(Article 13)

Question 57

In view of the objective set out in Article 2(d) will the prohibition on the Government aids described in paragraphs 1(a) and 1(b) of this Article also apply to exports to non-member countries?

Reply

The obligations specified in Article 13 are assumed in relation to other Member States. In relation to non-member countries obligations under the GATT apply.

XI. RESTRICTIVE BUSINESS PRACTICES

(Article 15)

Question 58

How is it intended that the Council would deal with restrictive business practices within the areas that affect the trade of third countries with Member States?

Reply

The responsibility of the Council under Article 15 is confined to effects of restrictive business practices as defined therein. The question of Member States assuming any obligations in the respects referred to in the question is a matter outside the Convention.

XII. BALANCE-OF-PAYMENTS DIFFICULTIES

(Article 19)

Question 59

Will the Member States apply Article 10 and not Article 19, so long as they maintain the present levels of international balance of payments?

Reply

Yes.

Question 60

Would it be permissible for a Member State, under the terms of this Article to reintroduce quantitative restrictions which had been eliminated only in respect of Member States under Article 10, if the Member State concerned felt that a deterioration in its balance-of-payments situation was attributable to measures which it had had to take under the Convention?

Reply

The situations in which Member States might have occasion to invoke Article 19 are hypothetical but it can only be invoked consistently with the other international obligations of the Member States.

ARTICLE 19(1)

Question 61

- (a) Do the provisions of paragraph 1 mean that a Member State in such circumstances will impose non-discriminatory quantitative restrictions which will apply equally to Members as well as non-member countries, and will not make a distinction between the treatment of imports from third countries and those from the Member countries?
- (b) Do the provisions of this paragraph mean that a Member State in balance-of-payments difficulties may be granted a waiver of its obligations under Article 10 to increase the size of its quotas during the transitional period?
- (c) With an improvement in their balance-of-payments position will individual Member countries remove their import restrictions in a non-discriminatory manner so that outside countries will not be subject to more severe import restrictions than Member States?

Reply

- (a) As Article 19 makes clear, Member States, in invoking it, would act consistently with their other international obligations.
- (b) Yes - that would be the effect.
- (c) See reply to Question 61(a).

ARTICLE 19(2)

Question 62

- (a) What kind of "recommendations" or "special procedures" are envisaged?

- (b) Is it envisaged that these "recommendations" and "special procedures" might result in discrimination against outside countries, or in the intensification of any discrimination that might have existed?
- (c) Can it be assumed that the "recommendations" and "special procedures" will not include the imposition of or the intensification of quantitative restrictions on imports from outside countries on the part of other Member States which are not experiencing balance-of-payments difficulties?
- (d) If, as is envisaged in this paragraph, compensation may be made for the effect of such measures taken for balance-of-payments purposes, will non-member countries share in such compensation?

Reply

- (a) The question is of a hypothetical character. Only examples can be indicated. The recommendations might be for an increase in the quotas imposed; the special procedures might be to help the Member State applying the restrictions or to help Member States adversely affected by them.
- (b) See reply to Question 61(a).
- (c) Yes.
- (d) This is not envisaged but will depend on the measures to be agreed upon in each case.

ARTICLE 19(3)

Question 63

- (a) How do the Member States relate these provisions to the requirements of the GATT regarding consultations on the application of import restrictions for balance-of-payments purposes? (It will be recalled that under the GATT, CONTRACTING PARTIES may suggest alternative arrangements likely to cause less damage to the trade of other contracting parties).
- (b) Can it be assumed that the Member States in view of their other international commitments will comply with their obligations, including where appropriate, the provisions of Article XII and XIII of the GATT, in the removal of these restrictions?

Reply

- (a) and (b) If the need arose to contemplate invocation of Article 19, the Member States would have regard to the relevant provisions of the GATT.

XIII. DIFFICULTIES IN PARTICULAR SECTORS

(Article 20)

Question 64

- (a) How would restrictions imposed under this Article be justified under the GATT?
- (b) In view of the fact that the difficulties envisaged in this Article are likely to arise as a result of the operation of the Convention, is it intended that the restrictions shall apply only against the exports of Member States? If not, how would restrictions against non-member States be justified under the GATT?
- (c) If this provision should become applicable for a product subject to quotas to which non-members have access, would the quantitative restrictions also apply to imports from non-member States, and if so, would imports from such non-members be accorded "like treatment"?
- (d) What kind of measures are contemplated in paragraph 1(ii)?
- (e) Will it be up to the Member States to determine the nature and the cause of the difficulty, how serious it is and how long the use of quantitative restrictions or any other measure is justified? Is there an ultimate time-limit for the application of the measure?
- (f) What types of Council recommendations are envisaged under paragraph 3 of this Article?

Reply

- (a) Any restrictions imposed under Article 20 will be of a temporary character, and will not prevent the achievement of free trade in the products which may be concerned.
- (b) and (c) The Convention provides only for the imposition of restrictions on imports from Member States, within the limits and subject to the procedures which it lays down. If, in the event of invocation of these provisions, a Member State also felt need to take action in respect of imports from non-member countries, it would act consistently with its obligations under GATT.
- (d) It is impossible to anticipate the circumstances of any particular case which might arise. The measures might include the temporary reimposition of the tariff.

- (e) It is envisaged that the Council will satisfy itself that the restrictions are not retained longer than is necessary. If in special cases there were to be a derogation from the general rules about the transitional period, the overlap beyond the end of that period would be limited.
- (f) The recommendations will depend on the circumstances in each case.

Question 65

- (a) Under paragraph 5 what are the Council's intentions regarding the application of "similar" provisions after the end of the transitional period when the "progressive elimination of duties, charges and quantitative restrictions" should no longer be a factor?
- (b) In particular, for what period of time is it contemplated that such an extension beyond the transition period would be necessary?
- (c) Is the Council empowered, under paragraph 1 or pursuant to a Council decision under paragraph 5, to authorize a Member State to apply, after 31 December 1969, quantitative restrictions or customs duties towards other Member States? If so, how do the Member States propose to reconcile this possibility with the provisions of Article XXIV of the GATT, in the event that the difficulties referred to in paragraph 1 were to affect a substantial part of the economy of the Member State concerned?

Reply

- (a) (b) and (c)

The Article is intended to deal with transitional difficulties and any measures permitted under Article 20(5) would be temporary. It is unlikely that the difficulties referred to in Article 20(1) would affect a substantial part of the economy of the Member State concerned. Article 20 will cease to have effect at the end of the transitional period unless the Council takes specific action to extend it.

Question 66

What safeguards, if any, exist against action being taken under this Article which would prevent the formation of a free-trade area at the end of the transition period?

Reply

The Member States have decided to achieve a free-trade area within the period specified in the Convention. The fact that Article 20 is so drafted that some provisions similar to those in paragraphs 1 to 3 can have effect after 1 January 1970, only by a positive decision (by unanimity) of the Council clearly demonstrates that the provisions are intended to deal with possible problems of the transitional period.

XIV. AGRICULTURE AND FISHERIES

(Articles 21 to 28)

Question 67

How large is the volume of trade in agricultural and fisheries products in the free-trade area as a whole? How large is the volume of these exchanges in the trade of each of the Member States with the other countries of the Area considered as a whole and individually?

Reply

See the attached statistical table (Annex A).

Question 68

In view of the interests of contracting parties in the trade in agricultural and fisheries products, what provisions are envisaged to provide the CONTRACTING PARTIES with an opportunity for prior examination of any changes envisaged in Articles 21, 25, 26 and 28?

Reply

See reply to Question 8.

ARTICLE 21

Question 69

Would the Member States define more accurately the meaning of the words "special considerations" which appear in paragraph 1?

Reply

Various considerations in most Member States - political, economic and social - particularly the need to ensure an adequate standard of living to persons engaged in agriculture, prevent the Member States from treating agricultural goods in the same way as industrial goods under the Convention.

Question 70

- (a) Is the Council empowered, under paragraph 1 of Article 21, to add further products to Annex D, whereas Article 26 does not permit such additions to Annex E?
- (b) If so, would the Member States consult with the CONTRACTING PARTIES before adding items to Annex D?

Reply

- (a) The latitude which Article 21(1) allows for additions to Annex D is designed to provide for any marginal adjustments in definition which practice might demonstrate to be necessary.
- (b) See reply to Question 8.

ARTICLE 22

Question 71

- (a) Does the requirement of paragraph 1 that Member States shall have due regard to the traditional channels of trade in their agricultural policies extend to trade with countries outside the Area?
- (b) What is the meaning of the provision of paragraph 2 to the effect that "reasonable reciprocity" will be provided to countries which are exporters of agricultural products? For instance, could a Member State request that a bilateral agreement already entered into should be reviewed in order to maintain "reasonable reciprocity" in trade in industrial and agricultural products?
- (c) Will the opportunities for the expansion of trade in agricultural products be applied equally to non-member countries?

Reply

- (a) and (c) Member States will take into consideration in their agricultural policies the traditional channels of trade with countries outside the free-trade area. The Convention does not contain any provisions regarding opportunities for expanding the trade with non-member countries in agricultural goods. But the Member States will have regard to their rights and obligations under the GATT in regard to such trade.
- (b) It has not been possible to provide for the same rules for agricultural products as for industrial products, see the introduction and the reply to Question 69. As the economies of some Member States depend to a great extent on exports of agricultural products, such countries would suffer inequitably if no special arrangements were made. The provisions of the Convention regarding agriculture together with the agreements which are an integral part of the Free Trade Association arrangements aim at facilitating an expansion of trade in agricultural products which will provide reasonable reciprocity to Member States.

Member States may apply for a revision of a bilateral agreement, with a view to obtaining "reasonable reciprocity".

Question 72

Does the word "recognize" in paragraph 1 of this Article imply that the Member States accept that their present agricultural policies promote rational and economic development of production?

Reply

Member States recognize that their agricultural policies are designed to promote the aims referred to in Article 22(1).

Question 73

Does this Article imply that Member States see no scope for modifying their agricultural policies in such a way as to create opportunities for further development of the trade of third countries in agricultural products?

Reply

No.

ARTICLE 23

Question 74

- (a) What is the nature of the agreements envisaged in this Article?
- (b) This Article states that certain Member States have already concluded bilateral agreements among themselves. What agreements have been concluded and what is the nature of these agreements? What further agreements are envisaged and what will be the nature of these arrangements?
- (c) What are the products in respect of which customs duties are to be eliminated under these agreements?
- (d) What measures other than the elimination of customs duties are provided for in these agreements? Will any such measures be applied equally by each Member State to all other Member States?

Reply

- (a) and (b) The texts of the agreements concluded between Denmark on the one hand, and Sweden and Switzerland on the other, are attached (Annexes E and F). The agreement concluded between Denmark and Austria will be submitted in the near future. The text of the agreement between Denmark and the United Kingdom will be submitted as soon as it is signed. The texts of any further agreements will be communicated to the CONTRACTING PARTIES.

- (c) Bacon, canned pork luncheon meat, blue veined cheese and canned cream on importation into the United Kingdom from other Member States. Salmon, salt-water fish, crustaceans and molluscs on importation into Switzerland from other Member States.
- (d) See the texts of the agreements.

Question 75

According to paragraph 2 of this Article the agreements on agricultural products are to remain in force during the life of the Convention. Will this not bring about discrimination against third countries?

Reply

Only in the sense permitted by Article XXIV.

Question 76

Does paragraph 3 mean that a Member State which has granted tariff concessions within the framework of a bilateral agreement is not authorized to modify duties applicable to the products in question when imported from countries outside the Area without the consent of all Member States, if such modification affects the tariff preferences resulting from such bilateral agreements?

Reply

No.

Question 77

What would be the fate of a bilateral agreement if one of the partners withdrew from the Association?

Reply

An agreement concluded between two Member States would no longer be valid between them if one of them withdrew from the Association.

Question 78

Since agriculture is not covered by the provisions of Articles 1 to 20 except Articles 1 and 17, will the Association give an assurance that any agreements which may be concluded in terms of Article 23 will be in conformity with the provisions of GATT?

Reply

Yes.

Question 79

It follows from the bilateral agreements now in force and from the wording of paragraphs 2 and 3 of Article 23 that the concessions which have been negotiated are not reciprocal and do not, in certain cases, lead to the elimination on 1 January 1970 of all obstacles to trade, and that the non-tariff concessions involve discrimination between Member States. In these circumstances, on what provisions of the GATT is the exclusion from the most-favoured-nation treatment based?

Reply

The provisions of the agreements referred to in Article 23 are an integral part of the free-trade area arrangements in the sense of Article XXIV and do not, in the view of the Member States, involve any conflict with their obligations under the GATT.

Question 80

Are agreements under this Article to be regarded as an integral part of the Association arrangements for the purposes of the consideration of the arrangements by the CONTRACTING PARTIES to the GATT?

Reply

Yes.

Question 81

Will the Member States undertake to submit to the CONTRACTING PARTIES, pursuant to Article XXIV:7 of the GATT, any bilateral agreements which have been, or may be in the future, concluded between Member States under Article 23?

Reply

Yes.

ARTICLE 24

Question 82

This Article is directed to the reduction of export subsidies on agricultural goods but it refers only to trade between the Member States. Is it the intention of the Association at the same time to reduce and eventually eliminate subsidies on agricultural goods exported to markets outside the Member States?

Reply

Under Article 24, which applies only to subsidies detrimental to Member States, no distinction is made between exports to Member States and non-member States. The Member States will furthermore observe their obligations under the GATT as regards export subsidies on agricultural goods exported to the territories of contracting parties.

Question 83

What is the difference between Article 24 and Article XVI of the GATT dealing with export subsidies?

Reply

Article 24 and Article XVI of the GATT are in general terms and it is difficult to forecast precisely how the practical application and effect of the two may differ. The Convention stipulates however, that it is the object of the Council to establish rules for the gradual abolition of subsidized exports detrimental to other Member States.

ARTICLE 28

Question 84

Would the Member States provide information about the arrangements relating to trade between Member States in fish and other marine products?

Reply

Any agreements reached will be communicated to the GATT.

ANNEX D

Question 85

- (a) Why do live animals and products derived from live animals come under Rule 2 of Annex B, whereas by virtue of Annex D such products are not covered by Article 4?
- (b) Are canned goods included in the meaning of "preparations" as listed in Chapter 20 of Annex D?

Reply

- (a) The definition of wholly produced goods in Rule 2 of Annex B was deliberately made comprehensive so as to facilitate any extension of the coverage of the main tariff provisions of the Convention.

Furthermore, the provisions of the Convention regarding origin will, in fact, apply to some goods which are listed in Annex D as a result, for example, of the tariff provisions of the Anglo-Danish Agreement. Some products obtained from live animals, e.g. wool, are not in Annex D. The rule also covers (sub-paragraph (1)) goods produced in the Area from products listed in previous sub-paragraphs.

- (b) Yes. The word "preparations" is intended to cover goods falling within Chapter 20 of the Brussels Nomenclature. Not all canned fruit and vegetables, however, fall in Chapter 20.

XV. GENERAL CONSULTATIONS AND COMPLAINTS PROCEDURE

(Article 31)

Question 86

Under this Article, the Council may authorize a Member State to suspend its obligations under the Convention to such an extent and for such a period as the Council considers appropriate. Could that mean that a Member State, after the first tariff cuts, could be permitted to maintain that level for an indefinite period? What safeguard is there to ensure that a Member State will not merely establish preferential tariffs under the provisions of the Convention?

Reply

The suggestions made as to the possible implications of these provisions are not in accord with the aims of the Member States or the purposes of the Article.

Question 87

Will it be possible for the Council, under paragraph 4, to authorize one or more Member States to reintroduce customs duties or quantitative restrictions in respect of a State defaulting on its obligations, even after 1 January 1970?

Reply

This would theoretically be possible in terms of the Article but the question disregards the decision of the Member States to achieve a free-trade area.

XVI. OBLIGATIONS UNDER OTHER INTERNATIONAL AGREEMENTS

(Article 37)

Question 88

Does this Article mean that international obligations undertaken by Member States will prevail in each and every case over the provisions of the Convention to the extent that such obligations concern countries outside the Area?

Reply

Yes, in the sense that Member States will continue to carry out obligations towards third parties.

Question 89

- (a) Will GATT obligations continue to apply as between Member States as well as vis-à-vis outside countries? Also does this Article mean that a Member State may not apply a provision of the Convention to another Member State where the application of the provision is contrary to an international obligation undertaken toward such Member State?
- (b) In particular, will it be possible for a Member State to apply quantitative restrictions to another Member State, either of its own initiative or with the authorization of the Council under Article 5, 20 or 31, if the Member State in question is no longer authorized to maintain such restrictions under the GATT?
- (c) In cases where the Convention provides that the institutions of the Association have discretionary powers with respect to matters on which provisions of the GATT or the IMF apply (e.g. restrictions), is it the case that any decisions taken by the institutions will be notified to the CONTRACTING PARTIES and subject to the provisions, requirements and procedures of these international agreements?

Reply

- (a) The Member States remain subject to their obligations under the GATT, but the relationship between them is governed by the provisions of the Convention.
- (b) It will be possible for a Member State to apply quantitative restrictions to imports from another Member State under Articles which may allow this, even though the Member State is no longer authorized to maintain such restrictions under the GATT, but the limits within which a Member State could take such action are strictly circumscribed in the Convention.

- (c) The Member States would be ready to notify decisions taken by the institutions in compliance with their obligations under the GATT.

Question 90

Does this Article mean that the Member States which are contracting parties to the GATT will apply to all contracting parties:

- (a) the measures in respect to quantitative restrictions which are provided for in Article 10 of the Convention?
- (b) the measures which are provided for in Article 11 of the Convention?

Reply

- (a) See replies to Questions 45 and 46.
- (b) The Member States will remain governed by the relevant provisions of the GATT, including Article XXIV, in respect of restrictions on exports to non-member countries.

Question 91

Does this Article apply to bilateral agreements between a Member State and a State outside the Area?

Reply

Yes.

XVII. ACCESSION, ASSOCIATION AND TERRITORIAL APPLICATION

(Articles 41 to 43)

Question 92

Would the CONTRACTING PARTIES be correct in assuming that the terms and conditions for any accession or association will be communicated to the CONTRACTING PARTIES prior to their final approval by the institutions of the Associations?

Reply

The terms and conditions for any accession or any agreement of association will be communicated after their conclusion to the CONTRACTING PARTIES.

ARTICLE 41(1)

Question 93

What do the Member States intend to include in the "terms and conditions" referred to in this paragraph?

Reply

It is not possible to anticipate, in advance of particular cases, the issues which might arise.

ARTICLE 41(2)

Question 94

Do the Member States foresee any special form of partial association of third countries? What form would such association take, and with which countries?

Reply

See reply to Question 93.

Question 95

What kind of agreements are contemplated (e.g. with EEC or OEEC) and how would the Member States intend to ensure that they will conform with the most-favoured-nation principle?

Reply

See reply to Question 93.

ARTICLE 42

Question 96

Would the withdrawal of a Member State involve termination of all measures taken under the Convention and governing the trade relations of that Member State with the other Member States?

Reply

If a Member State were to withdraw from the Convention, relations between that State and the remaining parties to the Convention would be governed by their other international obligations including those under the GATT.

ARTICLE 43(4)

Question 97

What do the Member States intend to include in the "terms and conditions" referred to in this paragraph?

Reply

See reply to Questions 93 - 95.

XVIII. ANNEX G - PORTUGAL

Question 98

- (a) What is meant by the phrase as used in this Annex "Portuguese territory covered by the Convention", and what Portuguese overseas territories, if any, are covered by the Convention?
- (b) What criteria were considered in establishing an exceptional transition period for Portugal?
- (c) Will the list of products falling under Article 3, paragraph 2, be made available to the CONTRACTING PARTIES? Also, those products notified to the Council under paragraph 3(b) of Annex G?
- (d) Do the Member States consider that the absence of a plan and schedule for tariff reductions for the period 1 January 1970 to 31 December 1979 can be reconciled with the requirement in Article XXIV:5(c) of the GATT?
- (e) What commitment are the Member States prepared to give with respect to the treatment of outside countries as concerns those duties which are increased for development purposes under paragraph 6 of this Annex; e.g., equal treatment to Member States and outside countries?
- (f) What is the relationship between paragraph 7, permitting Portugal to impose quantitative export restrictions, and the requirements of Article XXIV:8(b) of the GATT?

Reply

- (a) The phrase "Portuguese territory covered by the Convention" means the European territories of Portugal, i.e. the Portuguese mainland, Madeira and the Azores.
- (b) The difficulties liable to be involved for certain industries in Portugal, in the removal of duties and other restrictions in the shorter period of transition provided for in the body of the Convention.

- (c) Yes.
- (d) Yes, since paragraph 4(b) of Annex G lays down that the duties shall be eliminated before 1 January 1980.
- (e) Portugal will be governed by the international obligations which she has undertaken at the time such duties may be established.
- (f) If the restrictions permitted under the relevant provisions of Annex G were applied, they would be temporary and would represent an insignificant part of the trade between the constituent territories in products originating in such territories.

XIX. MISCELLANEOUS QUESTIONS

Question 99

Do the Member States envisage that, subject to the considerations relating to deflections of trade, the Convention will in no way limit their ability to enter into negotiations for tariff concessions and to participate in any general round of negotiations arranged by the CONTRACTING PARTIES?

Reply

The Convention does not limit the autonomy of Member States in respect of their individual tariffs and does not, therefore, limit the ability of the Member States to enter into negotiations for tariff concessions and participate in any general round of negotiations arranged by the CONTRACTING PARTIES. See replies to Questions 9(b) and 33(a).

Question 100

How are the proposals for a Nordic Customs Union affected by the formation of the European Free Trade Association?

Reply

The negotiations for a Nordic Customs Union have been suspended.

Question 101

In addition to the cases already mentioned, the Convention confers upon the Council certain powers under which the Council could decide to make substantial amendments to the Convention as now submitted to the GATT. Is it the intention of the Member States to submit such decisions to the CONTRACTING PARTIES?

Reply

The purpose of the powers conferred by the Convention on the Council to modify certain of its provisions is not to enable it to decide on substantial amendments inconsistent with the aim of the Member States to achieve and maintain a free-trade area. The purpose of the powers is to enable the Council to facilitate practical progress towards the achievement of the objectives of the Convention. See reply to Question 8.

Question 102

Will the Member States be able, independently and without the consent of other Member States, to negotiate and conclude arrangements with third countries assuring the development of trade and granting mutually equivalent advantages?

Reply

Yes.

Question 103

Do the Member States foresee the possibility of negotiating tariff quotas which would make it possible to maintain at least the actual exchange of goods with third countries without discrimination?

Reply

See reply to Question 99.

Question 104

Do the Member States intend to grant special privileges or exemptions to some Member States? If so, how do they intend to bring them into conformity with the most-favoured-nation principle?

Reply

See reply to Question 99.

Question 105

Do the Member States envisage that a Member State might be granted special exemptions from the obligations of the Convention concerning the removal of tariffs, the elimination of quantitative restrictions, the maintenance of duty-free treatment or an extension of the time-limit for the elimination of all customs duties? If so, how would such exemptions be in conformity with the most-favoured-nation treatment?

Reply

Under the Convention, a Member State might be granted special exemptions from the obligations of the Convention concerning the removal of tariffs and the elimination of quantitative restrictions or an extension of the time limit for the elimination of customs duties. Any such exemptions would be temporary and it is unlikely that they would affect a substantial trade in relation to the total trade between the Member States. There would not, therefore, be any conflict with Article XXIV insofar as that Article provides an exception from the rule of most-favoured-nation treatment. See also the reply to Question 101.

Question 106

Do the Member States intend to co-ordinate their commercial policies by a harmonization of their respective legislation concerning e.g., customs valuation, anti-dumping legislation and the more important differences in tariff rates?

Reply

In general, the Member States do not at present see need for such action. See however, Article 9.

EFTA GROUP INTRA-TRADE 1957

L'000

Imports from		United Kingdom			Group			
Imports into	Total (all trade)	Total trade in items inc. in Annexes D & E	Duty and quota free trade in items in Annexes D & E	Total (all trade)	Total trade in items inc. in Annexes D & E	Duty and quota free trade in items in Annexes D & E		
	Col. 1	Col. 2	Col. 3	Col. 1	Col. 2	Col. 3		
Austria	16,731	471	39	47,190	2,391	535	(a) Percentage EFTA coverage of industrial goods (column 1 less column 2).	
(a)	97			95				
(b)	97			96			(b) Percentage of coverage of industrial goods plus duty and quota free goods in Annexes D and E (as (a) plus column 3).	
Denmark	118,135	5,346	3,202	191,339	9,298	4,853		
(a)	95			95			(c) As (a) plus United Kingdom imports of concession items (i.e. bacon, blue veined cheese, canned luncheon meat, canned cream). Value of these items shown in brackets.	
(b)	98			98				
Norway	79,247	5,086	312	176,219	9,428	1,430	(d) As (b) plus United Kingdom concession items listed in (c).	
(a)	94			95				
(b)	94			95			Source: National trade returns.	
Portugal	23,720	651		37,113	1,828			
(a)	97			95			(a) Percentage EFTA coverage of industrial goods (column 1 less column 2).	
(b)	98			95				
Sweden	120,029	968	98	211,684	16,154	853	(b) Percentage of coverage of industrial goods plus duty and quota free goods in Annexes D and E (as (a) plus column 3).	
(a)	99			92				
(b)	99			93			(c) As (a) plus United Kingdom imports of concession items (i.e. bacon, blue veined cheese, canned luncheon meat, canned cream). Value of these items shown in brackets.	
Switzerland	37,475	3,550	3	75,979	10,557	1,363		
(a)	91			87			(d) As (b) plus United Kingdom concession items listed in (c).	
(b)	91			87				
United Kingdom				396,966	121,595	4,360	Source: National trade returns.	
(a)				69				
(b)				70			(a) Percentage EFTA coverage of industrial goods (column 1 less column 2).	
(c)				84				
(d)				85			(b) Percentage of coverage of industrial goods plus duty and quota free goods in Annexes D and E (as (a) plus column 3).	
Total	395,337	16,072	3,657	1,136,490	171,251	13,394		
(a)	96			85			(c) As (a) plus United Kingdom imports of concession items (i.e. bacon, blue veined cheese, canned luncheon meat, canned cream). Value of these items shown in brackets.	
(b)	97			86				
(c)				90			(d) As (b) plus United Kingdom concession items listed in (c).	
(d)				91				

ANNEX B

(See Question 14(b))

LIST SUBMITTED BY THE UNITED KINGDOM

- ex 28.28 Beryllium hydroxide; Beryllium oxide;
- ex 29.01 1:2:4-Trimethylbenzene
- ex 29.02 monoBromotrifluoromethane; o-chlorotoluene
- ex 29.04 Butane-1:3-diol; 3:7-Dimethyloctane 1:7-diol;
n-Undecanol; 2-Ethyl-2-hydroxymethylpropane diol
- ex 29.06 2:3:5-Trimethylquinol
- ex 29.08 n-Butyldigol; 1:4-Dioxan; 3-Methoxybutanol;
2-Methoxydiphenyl; Methyl digol;
- ex 29.09 Allyl glycidyl ether; 1-Bromo-2:3-epoxypropane; nButyl
glycidyl ether; 1-Chloro-2:3-epoxypropane; dieldrin;
1:4-di- (2:3-epoxypropoxy) butane; Endrin; Epoxybutane;
a B-Epoxyethylbenzene
- ex 29.10 Hydroxycitronellaldehyde dimethyl acetal
- ex 29.11 Acraldehyde; Butyraldehyde; Crotonaldehyde; n-Decaldehyde;
2-Methyl-n-undecaldehyde; n-Nonaldehyde; n-Octaldehyde;
B-Phenylpropionaldehyde; Undec-10-enaldehyde
- ex 29.13 Allylionone, mixed isomers; 2-ethylanthraquinone
- ex 29.14 Acrylic acid; n-Butyl acrylate; isoButyl acrylate;
Chloroacetic acid; Crotonic acid; o-Chlorobenzoic acid;
p-Chlorobenzoic acid; Decyl acrylate, mixed isomers;
Dihydrocarveyl propionate; Ethyl acrylate; 2-Ethylhexoic
acid; 2-Ethylhexyl acrylate; Ethyl methacrylate;
Glycerol 1:3-dipropionate; Glycerol tripropionate;
3-Hydroxynonyl acetate, mixed isomers; Linalyl cinnamate;
p-Menthanyl acetate, mixed isomers; 3-Methoxybutyl acetate;
2-Methoxyethyl acrylate; Methyl acrylate; Methyl-n-hept-1-
yne-carboxylate; Methyl-n-oct-1-yne-1-carboxylate;
isoPropenyl acetate; Propionic acid; n-Propyl acrylate;
isoPropyl acrylate; Sodium chloroacetate; Sodium trichloroacetate;
Sucrose diacetate hexaisobutyrate; Triethyl orthopropionate;
Vinyl n-butyrate; Vinyl 2-ethylhexoate; Vinyl stearate;
- ex 29.15 Hexachloro-1:2:3:6-tetrahydro-3:6-~~endo~~methylenephthalic acid;
Hexachloro-1:2:3:6-tetrahydro-3:6-~~endo~~methylenephthalic
anhydride; Maleic acid; Maleic anhydride; Phthalic anhydride

- ex 22 3-Chloro-o-toluidine (-NH =1); 4:4'-Diaminodiphenylmethane of a purity not less than 97 per cent; Diaminoethane; Diaminoethane hydrate; 6-Nitro-2:4-xylidine; Tetraethylenepentamine; Triethylenetetramine; 2:4-Xylidine-6-sulphonic acid
- ex 29.23 p-Aminobenzoic acid
- ex 29.25 Acet-6-nitro-2:4-xylidide
- ex 29.27 Acrylonitrile
- ex 29.30 Diisocyanattoluene, mixed isomers
- ex 29.31 o-Amino-thiophenol; Di-(o-nitrophenyl) disulphide; Di-(p-nitrophenyl) disulphide; Methyl-p-tolyl sulphide
- ex 29.34 Vinyltrichlorosilane;
- ex 29.35 Morpholine; 2-(2-Phenylethyl) pyridine;
- ex 29.37 y-Nonolactone; 6-Aminopenicillanic acid; B-Propiolactone; y-Undecolactone
- ex 29.42 Quinidine; Quinidine citrate; Quinidine hydrobromide; Quinidine hydrogen sulphate; Quinidine sulphate
- ex 29.44 6-Norchlortetracycline
- ex 39.03 Cellulose acetate, where the weight of the acetyl content, calculated as acetic acid is not less than 60 per cent of the weight of the cellulose acetate, not being cellulose acetate plasticised or otherwise compounded;
- Ethylhydroxyethyl cellulose; Hydroxyethyl cellulose
- ex 73.08 Iron or steel coils for re-rolling, the coiled product being not more than 4 mm. thick
- ex 73.13 Cold reduced sheets and plates over 500 mm. in width and less than 3 mm. in thickness, rectangular or in coils, if plain and not plated, coated, clad, drilled or punched and if of a value of less than £90 per ton

Not yet exempt

- ex 29.15 Fumaric acid;

ANNEX C

(See Question 42)

LIST OF CUSTOMS DUTIES ON PORTUGUESE EXPORTS
COVERED BY THE CONVENTION

<u>Item No. of the Portuguese Tariff</u>		<u>Unit</u>	<u>Rate</u>
13-A	Agar-agar, in any form	Ad.val.	0.5 %
14	Spirit of turpentine	"	1 %
15	Elder-berries	Kg.	§ 02
16	Chalcopyrite	Ton	§ 13
	Coal and fuel oil:		
17	- for refuelling national or foreign vessels, in the Azores	-	Exempt
18	- for refuelling foreign vessels, in Portuguese continental ports	Ton	§ 01(5)
19	- for refuelling national vessels, in Portuguese continental ports	Ton	§ 01(5)
20	Kaolin, crude or prepared	"	§ 05
21	Cementation copper	Kg.	§ 01(5)
22	Wax	"	§ 00(2)
23	Horns, bird feathers, animal hair	Ton	§ 30
23-A	Cement	Ad.val.	0.5 %
	Hides and skins, n.s.m.:		
24	- raw or prepared, weighing 32 kg. or less per piece	Ad.val.	20 %
25	- raw or prepared, weighing over 32 kg. per piece	Ad.val.	8 %
26	- tanned	Kg.	§ 03
27	Glues, including isinglass	"	§ 00(2)
	Cork:		
28	- natural raw and waste	Ton	§ 30
29	- in slabs	"	§ 20
30	- n.s.m.	Kg.	§ 05
30-A	Tin, crude or refined	Ad.val.	1 %

<u>Item No. of the</u> <u>Portuguese Tariff</u>		<u>Unit</u>	<u>Rate</u>
30-B	Spurred rye	Ad.val.	1.5 %
31	Felspar	Ton	1\$00
	Wool, greasy or washed:		
32	- "Churras"	Kg.	\$00(5)
33	- n.s.m. white	"	\$02(2)
33-A	- other	"	\$00(8)
34	Firewood	Ton	2\$00
	Wood: (lumber)		
35	- of eucalyptus, in logs up to 2 m. in length	Ton	\$10
35-A	- of pine, in logs, whether or not stripped of its bark, measuring 0.80 m. to 1.25 m. in length and 0.075 to 0.20 m. in diameter at the thinner end	Ton	\$01
36	- of pine in the rough, n.s.m.	"	3\$00
37	- of pine, for building purposes, in beams, girders and planks measuring over 0.5 ^m m. in thickness	Ton	\$22
38	- in joists with square edges	"	\$22
39	- in round joists up to 12 cm. at their thinner end and up to a length of 6.5 m.	Ton	\$12
40	- rough, for cooperage and joinery, except of pine	"	10\$00
41	- in props for pits, measuring up to 15 cm. in diameter at the thinner end, and not exceeding 3.50 m. in length, or measuring over 15 up to 21 cm. in diameter at the thinner end and 2.75 m. or less in length	Ton	\$01
42	- in telegraph poles or boat masts	"	3\$00
42-A	Marble, in the rough or sawn	"	\$06
42-B	Neutralizing pastes and impreg- nated bleaching earths, from oil refining	-	Exempt

<u>Item No. of the</u> <u>Portuguese Tariff</u>		<u>Unit</u>	<u>Rate</u>
43	Mineral substances, n.s.m. in the mass	Ton	\$06
	Ores:		
44	- Tin ore (cassiterite)	Ad.val.	5 %
44-A	- wolfram, crude or processed	"	3 %
	Oils:		
45	- of whale and sperm-whale	-	Exempt
46-A	Gold and silver, in bars	-	"
46-B	Bones (excluding degelatinized), parings of hides and other animal waste, n.s.m.	Kg.	\$01
47	Wood pulp for paper manufacture	Ton	\$20
48	Skins of rabbits and hares	Ad.val.	1.5 %
48-A	Skins of marten, genet, other, badger and skunk	"	10 %
49	Fish skins	Kg.	\$00(2)
50	Rosin (colophony)	Ton	\$40
51	Pyrites	"	\$05
51-A	Roasted pyrites (residue from roasting)	"	\$00(6)
51-B	Waste of wolfram ores, with a tungstic anhydride content of 25% or less, resulting from the treatment of that ore	Ad.val.	3 %
51-C	Corneous substances, crushed or in scrapings	"	1.5 %
	Scrap and waste metal:		
52	- of cast-iron	Kg.	\$03
53	- of iron or steel	Ton	\$12
54	- of tinplate	"	\$12
55	- of other non-precious metals	Kg.	\$30
56	Copper sulphate	Ton	\$25

<u>Item No. of the</u> <u>Portuguese Tariff</u>		<u>Unit</u>	<u>Rate</u>
57	Superphosphates	Ton	\$05
58	Rags of all fibres	Kg.	\$02
60	Osier	"	\$00(1)
61	Goods not specifically mentioned	Ad.val.	1.5 %
62	Coverings of animal or vegetable fibres for packing purposes	Kg.	\$01
62-A	Bed blankets of wool	Ad.val.	1.5 %
63	Bags and sacks, empty	Kg.	\$00(3)
	Fabrics:		
63-A	- embroidered, in the piece or made up	Ad.val.	1.5 %
63-B	- of natural or mixed silk, for neckties	Ad.val.	0.5 %
63-C	- for furnishing and decoration	Ad.val.	0.5 %
63-D	Rugs and carpets of wool	Ad.val.	0.5 %
	Food preserves (including inner packing):		
73	- of fish	-	Exempt
74	- n.s.m.	Kg.	\$00(2)
75	Sweets (confectionery)	Kg.	\$00(4)
100-A	Rubber tyres and tubes for vehicle wheels	Ad.val.	0.5 %
100-B	Sewing machines	"	0.5 %
100-C	Files (filing tools)	"	0.5 %
101	Portuguese boats and ships sold to foreigners	"	2 %
102	Porcelain for electrical purposes and metal parts thereof	Ton	\$40
103-A	Footwear or rubberized sloth	Ad.val.	0.5 %

<u>Item No. of the Portuguese Tariff</u>		<u>Unit</u>	<u>Rate</u>
104	Casks and barrels, assembled or not	Kg.	\$00(7)
104-A	Hats	Ad.val.	0.5 %
	Cork:		
105	- agglomerated	Ton	\$18
106	- in discs	"	\$45
107	- in stopper blanks	"	\$35
108	- in stoppers	"	\$45
109	- in articles n.s.m.	"	\$35
109-A	Newspapers, books, booklets and periodicals printed in the Portuguese language	-	Exempt
109-B	Asbestos cement ("Fibrociment") in the shape of slabs, pipes, tubes and other articles, and fittings belonging thereto	Ad.val.	0.5 %
	Timber:		
110	- in boards and planks n.s.m. and chipwood	Ton	\$12
111	- in railway or tramway sleepers	"	\$42
112	- sawn, for boxes, crates or barrels	"	\$15
112-A	- made into crates	"	\$05
112-B	- plywood	Ad.val.	0.5 %
	Works of art:		
113	- by a living Portuguese artist	-	Exempt
114	- by a foreign artist residing in Portugal	-	Exempt
115	- and archaeological pieces the export of which has been authorized under the law of 19 November 1910, also antiques of an age exceeding 100 years which, since they are not covered by the aforementioned law, require no particular authorization	Ad.val.	20 %
115-A	Flints for cigarette-lighters	"	0.5 %

<u>Item No. of the Portuguese Tariff</u>		<u>Unit</u>	<u>Rate</u>
115-B	Oilcloth and artificial leather	Ad.val.	0.5 %
116	Ceramic products	Ton	\$15
117	Gold and silver coins	-	Exempt
118	Tobacco	Kg.	\$04(5)
119	Stock certificates, bonds and other similar securities; bank notes	-	Exempt

An export duty of 1.5 per cent ad valorem is levied on all goods not specifically mentioned covered by the Convention.

In the case of specific duties, the rates shown in the tariff are to be multiplied by the coefficient 24.45 in order to obtain the amount to be levied in paper escudos.

Item 29 - A duty of 6 per cent ad valorem is levied on cork slabs in the qualities from first to fifth grade.

Item 44 - Surtax in addition to duty:

$$T = 0.45 (x - 38)$$

T = Surtax to be paid

x = FOB value of 1 kg. of exported ore

Item 44-A - Surtax in addition to duty:

$$S = \frac{(P - 40)^2}{170}$$

170

S = Amount of surtax to be paid in escudos per kg.

P = Value of 1 kg. of wolfram ore, rounded upwards to the nearest escudo.

Item 51-B - Surtax in addition to duty:

$$S = 0.45 (U - 10)$$

S = Amount of surtax to be paid in escudos per kg.

U = Real FOB value of 1 kg. of wolfram waste, rounded upwards to the nearest escudo.

Item 53 - Surtax in addition to duty:

$$S = 0.45 (x - 0.90)$$

S = Amount of surtax to be paid in escudos per kg.

x = Real FOB value of 1 kg. of iron or steel scrap and waste

Item 115 - Movables of artistic, historic, archaeological or numismatic value worthy of being inventoried are subject to a tax of 50 per cent ad valorem.

Item 118 - When tobacco is exported under the provisions of laws 13 587 and 13 591 of 11 and 12 May 1927, it is exempt from duty.

On frozen fish (included in the commodities not specifically mentioned), including fish preserved by means of the Ottensen system, a tax of \$01 per kg. paper escudos is levied.

ANNEX D. (See Question 42)

SWISS EXPORT TARIFFS

(in force on 1 January 1960)

Tariff No.	Import Tariff No.	Description of goods
1	0504.10	Calf rennet bags
2	0508.20	Bone
		<u>Metalliferous ash and residues:</u>
4	2603.01	- Aluminium slag
5	2603.01	- Ash containing lead
6	2603.01	- Residues of copper
7	2603.01	- Zinc matte resulting from galvanization baths
		<u>Rags:</u>
		- Other (than waste)
13	6302.01	- - mixed
		<u>Scrap and waste metal:</u>
		- of copper:
		- - waste:
16	7401.20	- - - of pure copper or brass
17	7401.20	- - - of other copper alloys
		- - scrap:
18	7401.30	- - - of pure copper
19	7401.30	- - - of copper alloys
		- of aluminium:
22	7601.01	- - waste
23	7601.01	- - scrap
		- of lead:
24	7801.20	- - waste
25	7801.20	- - scrap
		- - of zinc:
26	7901.20	- - waste
27	7901.20	- - scrap
28	8437.30	Embroidering machines, used

ANNEX E (See Question 74(a)(b))

AGREEMENT

Translation.

Between Denmark and Sweden concerning the
Trade in Agricultural Products within the
European Free Trade Association

In accordance with paragraph 1 of Article 23 of the Convention establishing the European Free Trade Association, and in order to give effect to the aims set out in paragraph 2 of Article 22 of that Convention, and as a first step towards the progressive removal of the barriers to trade in agricultural products within EFTA which, in the opinion of both Governments, could be realized by pursuing an economic and agricultural policy with the aims set out in Articles 2 and 22 of the Convention, the Danish and Swedish Governments, who have both signed the Convention, have agreed as follows:

1. In response to a Danish request for a statement on the Swedish import and support policies for agricultural products within EFTA, the Swedish Government have declared that Swedish agricultural policy does not aim at increasing agricultural production and that it may be assumed that future developments in production and consumption will enable Danish producers to maintain their Swedish markets for goods of interest to Danish agriculture and to obtain a share in an increased Swedish consumption of these products.
2. The Swedish Government are prepared, with due regard to the import protection granted to Swedish agriculture under existing parliamentary resolutions, to consider, together with the Danish Government, what steps can be taken to safeguard - in conformity with the aims set out in paragraph 1 - Danish interests as regards the sale in the Swedish market of the following agricultural products:

Beef, veal, horsemeat and canned meat (except canned pork)
Sausages, including canned sausages
Ware potatoes (except new potatoes during the period
6 June - 5 July)
Butter
Cheese
Processed milk
Eggs and egg products (except albumen)
Poultry meat

3. The Danish and Swedish Governments agree that within the framework of EFTA talks should be initiated between the two countries with a view to creating freer trade in horticultural products between their two countries.

4. . In accordance with the aims set out in paragraph 2 of Article 22 of the Convention concerning co-operation in the agricultural sector, and considering that the Swedish import regulations system for agricultural products do not enable Denmark - in the way foreseen with regard to the export of industrial goods among Member countries - to benefit by the price level in the importing country when exporting agricultural products to Sweden, a certain amount is to be paid annually to Denmark as long as this obstacle exists.

The amount referred to in the preceding paragraph has been fixed for the time being at Sw.Kr.10 million. In fixing this amount consideration has been given to the value of previous Danish exports to Sweden of goods subject to the Swedish agricultural regulations and to the present level of the Swedish import protection. Should Danish exports to Sweden of goods subject to the Swedish agricultural regulations undergo any substantial change, or should the level of Swedish import protection be substantially altered, the amount of the annual transfer may be adjusted accordingly. Discussions about any such adjustment shall take place at the request of either Government.

The amount in question shall be transferred within three months after the termination of each twelve-month period, the first transfer to be made in respect of the period from 1 July 1960 to 30 June 1961.

5. Questions about the operation of the measures dealt with in this Agreement, including provisions for safeguarding Danish exports in accordance with the foregoing provisions, shall be the subject of periodical discussions between the appropriate authorities of the two countries.

6. This Agreement shall be ratified in both countries in connexion with the ratification of the Convention establishing the European Free Trade Association.

Copenhagen, 4 January 1960.

For the Government of Denmark
(signed) J.O. Krag

For the Government of Sweden
(signed) Gösta Netzén

ANNEX F (See Question 74(a)(b))

AGREEMENT CONCERNING IMPORTS TO SWITZERLAND
OF DANISH AGRICULTURAL GOODS AND FOODSTUFFS

Translation.

With a view to Switzerland's and Denmark's participation in the European Free Trade Association established in Stockholm, the Swiss and the Danish Governments have agreed that, simultaneously with the application of the provisions about tariff reductions within EFTA, imports of Danish agricultural products and foodstuffs into Switzerland will be facilitated by the following measures:

1. The Swiss authorities shall follow developments in egg imports from countries whose export prices are manifestly not based on economic market considerations. Should such imports increase to such an extent as to endanger a further rise in egg imports from Denmark within the general increase in Swiss egg imports that has been taking place since years, the Swiss authorities will take steps to limit the imports from such countries insofar as the provisions of GATT and CEEC permit such limitations.

2. The Swiss Central Office of Butter Supplies, "Butyra", will restrain their purchases of foreign butter, the price of which has been reduced by subsidies below the level of world market prices in order to enable Denmark to regain a share of at least 40 per cent of Swiss imports of butter at world market prices.

3. Importers organized in the "Schweizerische Genossenschaft für Schlachtvieh und Fleischversorgung" are invited to pay more attention to availabilities of live cattle and meat from Denmark.

- (a) In order to increase the Danish share in Swiss import of live cattle, item 0102.20, 0102.30, 0102.32, 0102.40, ex 0102.50 (heifers and bullocks) ex 0102.52 (heifers and bullocks) to at least 60 per cent of the yearly average of imports in the years 1953-58, and to
- (b) double the Danish share of Swiss imports of meat (fresh or chilled beef, ex 0201.20, frozen beef, ex 0201.22; slaughterhouse products, ex 0201.22) in relation to the yearly average of imports in the years 1953-58;

the co-operation initiated between Danish and Swiss trade organizations will be intensified.

The possibilities of further increasing these shares of supplies will be examined.

Should the aims set out under (a) and (b) not be realized within a reasonable time, the Danish and the Swiss authorities will agree about such measures as may be deemed appropriate.

4. Denmark has an annual import quota of 600 horses for slaughter and foals, This quota will be increased in proportion to the demand for Danish horses for slaughter.

5. An annual import quota of 20 tons of canned pork meat will be set aside for Denmark.

6. The present annual import quota of 15 tons of tinned ham will be increased by 20 per cent annually in each of the next four years, the first increase to take place on 1 July 1960.

7. The present quota of 300 work horses will be increased by 20 per cent in each of the next four years.

8. The duty on killed rabbits, ex 0204.01, will be globally reduced from Sw.frs.30 to Sw.frs.27 per 100 kgs. on 1 July 1960.

9. The annual quota for imports of Danish cereal seed (especially oats and barley) will be increased to 7,000 tons.

10. The Swiss authorities will abolish the customs tariffs on the following fish items in the EFTA tariff reduction:

ex item 0301.10,12	Salmon (salmo salar)
item 0301.20	Salt water fish, fresh, chilled or frozen, whole or cut, including fillets.
item 0302.10,12,14	Salt water fish, salted only, in brine, dried or smoked.
item 0303	Crab and crustaceans, including mussels.

11. In determining their import policy for agricultural products, the Swiss authorities will have regard to Danish interests as far as possible. With this purpose in view, no measures shall be taken which will prevent Denmark from preserving her traditional share of Swiss agricultural imports, from increasing that share as a result of the foregoing provisions for the goods therein specified, and from obtaining a suitable share in the supply of a visibly growing general demand.

12. At the request of Denmark, a mixed committee of representatives of the Governments of the two countries shall be convened.

The committee shall deal with questions regarding the operation of the present Agreement and may submit proposals to both Governments with that object in view.

13. The above provisions shall remain in force as long as Switzerland has not made the goods mentioned therein subject to abolition of Customs duties within EFTA, or agreement has not been reached between EFTA and EEC about a common abolition of trade barriers. When such abolition of customs duties, or when such an agreement has been effected, in toto or in part, the two Governments will make the necessary amendments to the present Agreement, having due regard to the circumstances prevailing at any given time.

DONE at Berne in two copies on the 21 December 1959.

For the Swiss Government:

(signed) E. Stopper.

For the Danish Government:

(signed) N.V. Skak-Nielsen.