

GENERAL AGREEMENT  
ON TARIFFS AND  
TRADE

ACCORD GENERAL SUR  
LES TARIFS DOUANIERS  
ET LE COMMERCE

RESTRICTED  
LIMITED B

GATT/CP.3/SR.42  
12 August 1949

ORIGINAL: ENGLISH

CONTRACTING PARTIES

Third Session

SUMMARY RECORD OF THE FORTY-SECOND MEETING

Held at Hotel Verdun, Annecy on  
Friday, 12 August 1949, at 2.30 p.m.

Chairman: Hon. L. D. WILGRESS (Canada)

Subjects discussed:

1. De-restriction of documents (continued) (GATT/CP.3/76)
2. Report of the Working Party on Cuban Textiles (GATT/CP.3/82)
3. Schedule VI - Ceylon - Results of re-negotiations (GATT/CP.3/80)
4. Re-negotiations of Cuba
5. Decision as to the meeting required under Article XXIX
6. Programme of work to be undertaken by the Secretariat
7. Date of the Fourth Session of the Contracting Parties

1. De-restriction of documents (continued) (GATT/CP.3/76)

The Contracting Parties agreed to the following formula:

On December 1, 1949 all documents of the Third Session shall be considered to be derestricted with the exception of the following:

1. Documents originally classified as "secret";
2. Documents of working parties (but not including reports of working parties issued as numbered GATT documents); and
3. Documents which before that date any contracting party requests the Executive Secretary to continue to classify as restricted. The foregoing shall also apply to any requests from acceding governments in respect of documents arising out of the work of the Tariff Negotiations Committee.

✓ — 2. Report of the Working Party on Cuban Textiles (GATT/CP.3/82)

In the absence of the Chairman of the Working Party, Mr. Royer, Deputy Executive Secretary, who had been Secretary to the Working Party was asked by the Chairman to present the report. The DEPUTY EXECUTIVE SECRETARY then summarized and illustrated the report.

Mr. CHAKRAVARTI (India) said the Cuban Delegation had entrusted to him a statement with the request that he ask the Chairman to read

it at the meeting.

The CHAIRMAN accepted the Indian request and read the statement which is herewith summarized:

Regret was expressed that a further request of Cuba had met with defeat before the Contracting Parties although the Cuban delegation felt satisfaction for its record of industriousness in preparing the documentation with which members of the Working Party in particular, were familiar. Full replies to all requests for information from members of the Working Party - confidential or otherwise - had been supplied. The information had been so full that they were at a loss to understand why the able Working Party had not been able to arrive at conclusions favourable to their claims.

The United States delegation in its basic statement had denied that the Cuban textile crisis was of the extension and magnitude asserted by the Cuban delegation, but their contentions had not been supported by any supporting evidence. The Cuban delegation had however presented a statement entitled "National Character of the Crisis" which examined the emergency legislation adopted and showed the effects of the crisis as follows:

- a) Contraction of domestic production;
- b) progressive loss of the domestic market since 1945;
- c) contraction in the number of workers employed by the industry and in the wages paid;
- d) notable decrease in the imports of raw materials by the industry;
- e) decrease in the number of enterprises;
- f) contraction in the value of sales;
- g) operational losses of the several enterprises.

The assertion that the difficulties of the Cuban textile industry resulted from a world textile crisis was not accepted by Cuba as it appeared from United Nations Statistics that the world textile industry showed no symptoms of a crisis in April 1949, when grave difficulties had already been manifest in the Cuban textile industry. Nor could Cuba accept on grounds of social justice or of adherence to the General Agreement, the suggestion of the United States that the difficulties could be solved by internal action.

Finally the contention that the Geneva tariff commitments were not affecting the development of the industry, was not accepted by the Cuban delegation which had proved that the crisis was the effect of excessive imports. The development of the industry and its possibility of achieving a competitive position were conditional on an increased protection.

On the basis of all the information supplied, they had hoped that the bilateral consideration recommended by the Working Party would be successful. A waiver was requested from the United States in order to reduce the duty at least provisionally on 18, later 8, tariff items and compensation therefor was offered to the United States, but the United States delegation declared they were not in a position to consider the compensation offered, since they were not prepared to accept the Cuban request for a waiver of the eight items.

A United States offer of a waiver limited to parts of certain sub-items (four in the cotton group and seven in the rayon group) was unacceptable to Cuba because:

- a) the limited number of items receiving protection would be substituted by other items which could compete against them.
- b) the solution would have caused a fragmentation of the Cuban tariff entailing serious difficulties of classification.
- c) compensation would have to be given to the United States in exchange for the waiver, thus causing a loss to the Cuban Treasury without any material advantage.

With respect to the opening of an enquiry, this had been accepted subject to obtaining a limited waiver to its obligations. No agreement having been reached on the waiver, Cuba was compelled to reject the enquiry. At the same time the Cuban delegation did not wish to establish a precedent by accepting such a procedure.

They thanked the Working Party but it was felt by them that a solution could not be reached in view of the United States' attitude which even denied the existence of a textile crisis in Cuba. No proof of this statement had however been given by the United States delegation.

The Cuban delegation had recognized the legitimate interest of the United States to participate in the Cuban textile market, but

had always felt that the less developed areas should be able to carry out a policy of industrialization which could not take place without some loss - at least in the initial stages - to the export trade of the more highly industrialized countries. The principles proclaimed by President Truman in his Fourth Point gave hopes to the Cuban delegation that Cuba's march towards industrialization would have only been arrested but that it would again be able to resume.

The statement ended by declaring that it had been presented with the sole aim of contributing with its constructive criticism to the possibility that errors be avoided, which if repeated would frustrate the high objectives of the General Agreement, and expressed the appreciation of the Cuban delegation to the Chairman of the Working Party, Mr. A. Philip, to Mr. Lopez Rodriguez (Brazil) and to Miss Nancy Fisher (United Kingdom).

Mr. Evans (United States of America) commenting on the Cuban statement, wished to point out that at the next to last meeting of the Working Party, the Cuban Delegation had read a brief statement which it wanted to have incorporated in the report of the Working Party. In view of its provocative character, however, the United States Delegation indicated that if this statement were included in the report, the United States Delegation would have to request the insertion in the report of a rejoinder. The Chair and, he thought, all other members of the Working Party, had agreed not to include any such statements. He had not been aware of the Cuban intention to have a statement read at the present meeting. Much as he regretted having to do so, he felt that it would be necessary to give the meeting a brief reply to some of the assertions in the statement which had just been read, which incidentally was a new statement and not the one read at the Working Party meeting.

The textile items in question were negotiated at Geneva. The rates agreed upon were to a considerable extent increases in duties, in partial exchange for which certain decreases were granted in rates of duty on textile items mainly not produced in Cuba. Without previously raising the question with the United States, the Cuban Delegation had put on the agenda of the Contracting Parties a request for a discussion of the so-called Cuban textile crisis. The Contracting Parties, including the United States, had accepted the item on the agenda and set up a Working Party. When the Working Party

came to the conclusion that it could not reach a decision on the basis of the conflicting evidence presented, it recommended bilateral discussion between the Cuban and the United States Delegations in order to see whether a mutually satisfactory basis for settlement of the problem could not be reached. In the discussions which lasted several weeks, the Cuban Delegation demanded the renegotiation of almost all the Geneva rates not only on textile fabrics but made-up articles. The increases asked for ranged from 50% to 130%. The Cuban Delegation also demanded an advance waiver on all these items. Since such a broad waiver was not acceptable to the United States Delegation, the Cuban Delegation did reduce its request for an advance waiver on 18 items to 8 items. However, this was still unacceptable to the United States since these 8 items comprised 54 sub-items which covered 80% of the total exports of fabrics and made-up articles from the United States to Cuba, a great many of which were types of fabrics and articles that are not manufactured in Cuba. The Cuban Delegation, moreover, was unwilling to reduce the number of items it wished renegotiated or to recede from the high rates of duty requested.

During the bilateral discussions the Cuban Delegation presented data on costs of production of certain textile fabrics in Cuba, as well as data on the landed cost in Cuba of certain textiles imported from the United States. The United States Delegation was unable from discussions with the Cuban Delegation to find out how these costs of production had been arrived at, and to the textile experts in the U.S. Delegation some of the components of the costs seemed exaggerated and some were unexplainable. In the case of the landed costs of imports the United States Delegation found that in all the cases in which it was possible to indentify exactly the item, the costs shown by the Cuban Delegation in every case except one were lower than the New York wholesale market prices in the month used by the Cuban Delegation as the basis of costs.

The United States and Cuban Delegations therefore reported to the Working Party that they had been unable to agree on a basis for bilateral settlement of the textile matter. The Working Party then recommended that every effort be made to reach an agreement for a waiver on a reduced list. The United States, when asked by the Cuban Delegation to suggest a reduced list, suggested a list of all the types

of cotton and rayon textile fabrics manufactured in Cuba (these types being included in eleven tariff sub-items), with the understanding that if a preliminary inquiry by competent disinterested technicians (which inquiry had been suggested by the Working Party) indicated a need for a waiver on more sub-items the United States Government would be glad to consider such a waiver which could take effect immediately upon completion of satisfactory negotiations with the Cuban Government with regard thereto, if the Contracting Parties so authorized. Acting upon instructions from their government, the Cuban Delegation later replied that they could not further reduce the list of items on which they requested a waiver and that they could not agree to a commission of inquiry such as suggested by the Working Party.

With respect to the Cuban statement that their delegation had answered all requests made to them, Mr. Evans wished to point out that a request from the United States for more detailed figures on Cuban imports had not been answered; similarly, no reply was given to a request for more detailed figures on Cuban production and members of the Working Party other than the United States had indicated that such figures were necessary in order to arrive at a decision in the textile matter.

The statement of the Cuban Delegation mentioned that the United States Delegation had given no evidence to support its contention that the difficulties the Cuban textile industry was experiencing were not the result of GATT commitments. On the contrary, the United States Delegation in the basic report to the Working Party showed by use of certain Cuban statistics that imports had been small compared with domestic production in the case of some products and that in the case of others where a satisfactory breakdown of Cuban statistics was not available, total imports had not increased in 1948 over 1947 and that many of such imports were of fabrics not produced in Cuba and not directly competitive with Cuban manufactures. In addition, the United States basic report quoted the Cuban textile manufacturers themselves as saying that important causes of the difficulties were internal, such as the inability of manufacturers to discharge inefficient workers because of Cuban Government regulations and the failure of proper enforcement of customs regulations. The United States basic statement also included quotations from other Cuban entities to the

effect that the difficulties were the result of overproduction in some lines in the post-war years, consumer resistance to high prices, and consequent contraction in sales such as were being experienced in a number of countries, including the United States, a situation that was temporary.

The Cuban statement also mentioned that compensation had been offered the United States in return for the proposed waiver and the proposed re-negotiation of the Cuban textile schedule. In the bilateral discussions, the Cuban Delegation had presented the United States Delegation with a list of commodities on which the Cuban Government would consider compensation, but no suggested rates of duty were given and the list contained no items of particular interest to the United States since the present rates of duty and imports of these items were already satisfactory.

It seemed unfair to the Working Party, the Contracting Parties, and to GATT to say that the inability of the Cuban Delegation to obtain from the Contracting Parties everything it demanded indicated the failure of GATT to arrive at a fair solution. The Working Party had suggested a fair solution - appointment of a neutral commission of inquiry to arrive at the facts in the case, followed by re-negotiation of some items in the textile schedule if the facts warranted it, but the Cuban Delegation rejected the suggestion of such a commission, at least partly on the grounds that such an inquiry would imply a distrust of the evidence supplied by the Cuban Delegation. In addition, it would not seem fair to call the proceedings a failure in view of the fact that the United States Delegation had, as shown by the Working Party report to the Contracting Parties offered to give sympathetic consideration to a request by Cuba for re-negotiation of some textile items.

Mr. RODRIGUEZ (Brazil) said the present was the most unfortunate case since the inception in 1946. He said his sentiments towards the United States were well known; that the cordial relations entertained by his country with them could not be bettered by anyone. It was therefore with no feeling of animosity towards that country that he was going to speak. He wished to say that he stood by his earlier remark that this case had marked a failure of the General Agreement. He believed more than ever that this was the case.

The Preamble of the General Agreement should have been basic in the handling of this matter. If a country had made a mistake at Geneva and if the Contracting Parties believed in the justice of the words contained in that Preamble, a just solution should have been found. It could not be that the General Agreement was destined to freeze positions without allowing the possibility of changes and development. The economic development of smaller countries could not be against the interest of the United States. Cuba was a small and undeveloped country and should have had satisfaction. He realized they were real difficulties in this matter for the United States but the failure to reach a solution should have been avoided. He thought the failure had done more harm to the General Agreement and to the Havana Charter than any case which had up to now been before them. He was compelled to maintain the words he had pronounced in the Working Party that this had marked a grave failure of the General Agreement.

Mr. HEWITT (Australia) said that the report was merely a record of the failure of the discussions and called for no decision under either Article XVIII or XIX. As such, he took it the report should be accepted with the recommendation that the discussions should continue with a view to a favourable solution.

Mr. BURR (Chile) said it was very difficult for a delegation which had not been represented on the Working Party to have a precise idea. The difficulty was increased by the fact that one of the parties was absent from the present meeting. He had to express the regret that no decision had been taken and that the conclusion did not represent what should be the spirit of the General Agreement.

Mr. EVANS (United States) wished to comment on the remarks of Mr. Hewitt, which he thought were correct but which might be misinterpreted by others who had not read the report as carefully as he. He wished to make it clear that there had been no negotiations but that bilateral talks had taken place with a view to finding agreement on a possible advance waiver and on a satisfactory basis for possible re-negotiation of some textile items. There was therefore no failure of negotiations but a failure to agree on the scope of an advance waiver to Cuba and on a basis for re-negotiation.

The recommendation contained in paragraph 8 (d) of the report of the Working Party was approved.

Mr. AUGENTHALER (Czechoslovakia) wished to have his abstention recorded as there had been no vote on the recommendation and asked whether there would be a vote on the approval of the report of the working Party as a whole.

The CHAIRMAN replied that it was not necessary for contracting parties to approve the report but if the CONTRACTING PARTIES so preferred it could be recorded that they approved the recommendations of paragraph 8 (d) subject to the reservation of Czechoslovakia and that they had taken note of the report.

Mr. AUGENTHALER (Czechoslovakia) wished to have it on record that he opposed the report of the Working Party because Cuba had been requested to supply information of a confidential character on what were commonly called "commercial secrets". They were not a court of justice which could ask for information of this kind. In previous discussions in the Contracting Parties the United States had said they were unable to disclose on which items they maintain export prohibitions and he could therefore not understand why another country should be compelled to divulge confidential information of this character.

The CHAIRMAN wished to say in fairness to the Working Party that information of a confidential character had never been requested by the Working Party as a whole but that certain countries had asked for details on specific points and the Cuban delegation had furnished its reply voluntarily pointing out that as it was of a highly confidential character it had to be kept secret.

The CONTRACTING PARTIES then took note of the report of the Working Party and approved specifically the recommendation contained in paragraph 8 (d) subject to the reservation of Czechoslovakia.

3. Schedule VI - Ceylon - Results of Re-negotiations (document GATT/CP.3/80)

The report on the results of the re-negotiations was unanimously approved.

4. Re-negotiations of Cuba

The CHAIRMAN said there was no official document on the subject but that he had been requested to read a statement submitted by the Delegation of Cuba.

Mr. EVANS (United States) said this document contained secret information which normally would not be distributed without the consent of both parties. His delegation requested that the information contained therein be kept secret particularly as not all of it was correct.

The CHAIRMAN informed the Contracting Parties that the matter contained in the statement should be considered as secret and proceeded to read the statement of the Delegation of Cuba on the results of re-negotiations of certain items in Part II of Schedule IX which is herewith summarized:

At the First Session of the Contracting Parties held in Havana in March, 1949, Cuba requested the re-negotiation of six items incorporated in Part II of Schedule IX, namely, tires and tubes (Item 314-B and C); ribbons, trimmings and galloons (127-A and 142-E and F); and nylon hosiery (Ex 137-F). The matter was referred to the Second Session when the United States undertook that they would begin re-negotiations for adequate compensation.

At the Second Session the Cuban delegation also presented the problem that confronted a part of its textile industry.

At the same time the United States presented a complaint against Resolution 530 of the Cuban Ministry of Commerce which was considered prejudicial to the interests of the United States, and made representations against the Cuban Customs Circular No. 64, on colored woven goods.

All these points were referred to a working party which on September 13, 1948 presented recommendations (GATT/CP.3/43) which were approved by the Contracting Parties on 14 September 1948 (GATT/CP.2/SR.25). The recommendations were basically as follows:

(a) The Government of Cuba was to take prompt steps to relieve the immediate difficulties affecting imports of textiles and also to discuss with the United States at Havana the possibility of finding a satisfactory solution for the problems arising in connection with Resolution 530.

(b) the Government of Cuba would continue to apply to colored woven textiles the treatment provided for in the third of the notes under Tariff Items 114 through 117 and 132 through 135 of Schedule IX of the General Agreement.

(c) The United States undertook to re-negotiate trimmings, ribbons and galloons (Items 127-A and 142-E and F), hollow tires and inner tubes (Items 314-B and C), and nylon stockings (Items Ex 137-F), and also colored woven textiles referred to in paragraph (b) in return for adequate compensation. The recommendation ended with the words, "Initial discussions to this end will begin immediately".

The Government of Cuba complied immediately with recommendations (a) and (b), suspending on September 15 Rule 530 and applying to colored woven textiles the treatment provided for under paragraph (b) above by the suspension of Circular No. 64. The Government of Cuba was fully aware of the risks involved and the situation of the textile industry which ensued has amply justified those fears.

On 28 October 1948 the Government of Cuba informed the Government of the United States that it had fulfilled recommendations (a) and (b) of the working party and in accordance with (c) invited the United States to appoint its representatives to begin the re-negotiations.

On 1 December 1948 the United States requested information on the items, descriptions and rates of duty desired and offered, stating they would then indicate the concessions they would request by way of compensation. Cuba replied to the United States two days later. No reply having been received from the United States by December 30, Cuba directed the attention of the United States to the two notes of 28 October and 3 December. A further reminder was sent on 11 January 1949 calling attention to the urgency of the action required by the textile crisis.

On 11 March 1949 the United States presented a note to Cuba with offers of concessions and requests for compensation and on 18 March communicated the names of its negotiating team in Havana. In their note of 11 March 1949 the United States made no mention of the re-negotiation on colored woven goods.

Shortly after the inauguration of the present session both parties at the request of Cuba, agreed to transfer the re-negotiations to Annecy. The Cuban delegation then asked about colored woven goods and the United States delegation expressed the view that a misunderstanding

must have occurred because they were not aware of the desire of Cuba to re-negotiate those items and that, therefore, the required public notice in the United States had not been given. After pointing out the number of instances in which their desire to re-negotiate these items had been expressed in writing, and whilst disclaiming any responsibility for the alleged misunderstanding, the Cuban delegation agreed to begin re-negotiation of the six tariff items and to allow time for the United States to give the public notice on colored woven goods.

Meetings were held but notwithstanding the efforts made to reach common meeting ground, the Cuban delegation regretted that the re-negotiations had ended in a failure. Without going into all the details they considered it desirable to outline the salient points discussed.

From the outset the Cuban team had made it clear to the United States that it was their intention to seek only such increases as would place the products of its industry on a competitive basis with imported articles. With respect to tires and tubes a request was made to increase the duty to a rate which would still have been substantially lower than those prevailing in practically all the countries in which the tire industry has a volume of production similar to Cuba but the maximum offer of the United States was too low for Cuba to accept. In order to allay any fears that the increase requested would tend to deprive exporting countries of a Cuban market, a guarantee of not less than one-third of the Cuban market together with an undertaking to re-negotiate rates in the future if they were found to be excessive, was given to the United States and by the latter refused. With reference to ribbons, galloons and trimmings, the United States offer was again considered too low to allow competition by the Cuban industry despite the fact that Cuba had proposed breaking down the three tariff items into six in order to reduce in some cases present rates as compensation to the United States.

With respect to nylon hosiery an unfortunate administrative decision had classified nylon hosiery in 1946 on the same basis as rayon hosiery despite the fact that the latter, being a substitute for silk, was in practically all countries classified under silk with the same rates of duty. The low rates were those bound in Schedule IX with the

consequence that the nylon hosiery industry has practically disappeared in the face of foreign competition.

They wish to point out that the volume of trade involved in these three tariff items was three million-odd dollars as against Cuban imports from the United States of America for 1948 of four hundred and twenty million dollars. The three million dollars also accounted for types of goods not produced in Cuba and which would have continued to be imported. It was further pointed out that other countries with duties substantially higher than those requested by Cuba for those products continued to be substantial importers of them. Furthermore Cuba obtained principally from the United States the greater part of raw material, fuel, machinery, etc. necessary for the operation of the industries concerned which would mean that the over-all value of the export trade of the United States would not be materially affected. In addition the liberal policy of Cuba with regard to investment of capital funds from abroad had had as a consequence that a substantial part of the capital invested in the industry under re-negotiation was American.

In the case of tyres and tubes the recent war had shown the importance for a country of such an industry. Had it not existed Cuban transport during the war would have been paralyzed. It was pointed out that the United States in view of this had given to Cuba significant and decisive cooperation for the establishment and operation of this new industry notwithstanding wartime shortages in the United States. With regard to colored woven textiles, the principle had been established by Cuba during the 1947 negotiations and accepted by the United States negotiators after much discussion that Cuba was entitled to protection for those lines of its textile industry which were capable of being produced in Cuba. Cuba offered as compensation to the United States for allowing an increase in the rates of duties on such lines to make a parallel reduction in those other textile lines which could not reasonably be produced in Cuba. A distinction had been drawn between colored woven fabrics dyed a single color or forming stripes, squares or other designs on the one hand, and printed fabrics on the other. Circular 64 of the Cuban Customs Administration was issued with this principle in view but upon objection by the United States, Cuba undertook to withdraw it and to re-negotiate the re-application of its principles.

In view of the fact that following the misunderstanding asserted by the American negotiators that their re-negotiation on colored woven goods could not be begun until after public notice was given in the United States, the Cuban delegation, towards the end of the re-negotiations of the other items requested the United States to begin consideration of colored woven goods. The answer given on 5 July 1949 by a member of the United States delegation was that these items could not be re-negotiated at the present session in view of the late date and of the imminent departure from Annecy of the members of the American negotiating team. This was the situation to the present date.

Despite all the information presented to the United States, some of a very confidential character on costs of production and other data which are generally considered secret, no results could be achieved. Anxiety was therefore expressed in view of Cuba's unflinching adherence to the principles of the General Agreement, that this international instrument seemed to be lacking in an efficient mechanism to settle problems of the type which had been discussed.

As a consequence of the resolution of the Contracting Parties on 14 September 1948 Cuba suspended Resolution 530 as well as Circular 64. Cuba had fulfilled the undertaking which it had assumed at that time. With respect to the re-negotiations, Cuba was leaving the Third Session of the Contracting Parties with a feeling of frustrated aspirations. The story of the re-negotiations and their results would be a motive of deep preoccupation for the Government and for the people of Cuba, a feeling which the Cuban delegation felt must be shared by many of the Contracting Parties.

In an annex to the statement, the Cuban delegation wished to point out that it had received on the previous day a final list of offers from the delegation of the United States containing one minor variation with regard to cotton ribbons. No other changes were contemplated on the other items and no mention was made of colored woven goods. The Cuban delegation therefore regretted to have to say that under the circumstances the minor change would not justify any variation in the statement above.

Mr. EVANS (United States) regretted that for the second time he was forced to trespass on the patience of the Contracting Parties and to answer without adequate preparation a long paper submitted without previous notice. However, he thought that it was essential to correct some of the more important misapprehensions. He was not quite sure what the Contracting Parties had been asked to do as, to his knowledge, Cuba had not broken off the negotiations. This appeared to be an interim report which only could be presented at the request of the Contracting Parties or by joint agreement of the parties concerned. The first few pages of the Cuban paper discussed the decision taken at the Second Session of the Contracting Parties and some of subsequent correspondence exchanged between the United States and Cuba. He thought the recital was incorrect in a number of substantial details:

(1) The understanding at the Second Session of the Contracting Parties had been that there would, before re-negotiations were undertaken, be a satisfactory settlement of the Cuban matters which it was then agreed constituted a violation of the GATT. The United States, however, still has not been able to obtain a satisfactory settlement of certain phases of these matters. The regulations which had enforced incorrect rates of duty on colored woven goods (Circular 64) had been suspended but had not been repealed, and refunds of incorrect duties levied have not been made. The textile import embargo (Resolution 530) has not been entirely removed, and there was at least one subsequent attempt, which appeared at the time might be successful, to re-impose the import embargo in its entirety. Furthermore, a new Resolution (14 J) had been imposed, which although the United States had not brought the matter before the Contracting Parties, restored part of the unsatisfactory and restrictive features of the previous resolution 530.

(2) The recital of the correspondence which took place regarding the re-negotiation of the six items left out the conversations which had taken place at Havana between representatives of the United States Embassy and the Cuban Government which showed that the Cuban requests had not been ignored and in which attempts were made to arrive at satisfactory settlements of the matters mentioned in (1) above.

(3) Colored woven textiles had not been specifically included in the Second Session report with the other items to be re-negotiated but were to be re-negotiated "if the Government of Cuba so desires". There was a genuine misunderstanding as to whether the Cuban Government had asked for re-negotiation of colored woven textiles. That Government had merely requested in rather involved and ambiguous language that Cuban Customs Circular 64 be re-applied; the word re-negotiation had not been used in any Cuban request regarding colored woven goods, and the United States Government had not understood that a unilateral proposal to re-apply the incorrect duties was a request for re-negotiation.

The Cuban statement mentioned delays that had taken place in the re-negotiations at Annecy. It was upon the insistence of the Cuban Government that the re-negotiations were transferred from Havana to Annecy, whereas the United States delegation reluctantly agreed to such transfer since it felt the re-negotiations (which were to have begun last March) could be more speedily concluded at Havana. Both the Cuban and United States delegations have been very busy at Annecy with many other matters. In fact, the Cuban delegation had on a number of occasions cancelled re-negotiation meetings which had been arranged. On the other hand, it was only on rare occasions that the United States delegation found it impossible to grant a Cuban request for a re-negotiation meeting. Ten meetings in all were held up to the time of the withdrawal of the Cuban delegation from the Conference, but despite the relatively large number of meetings in contrast to the few items under discussion, agreement had been reached on the rates of duty on only two of the original six items involved, and there had been no discussion of the compensation which Cuba would offer in return for increases agreed to. The reason for the protracted re-negotiations, the United States delegation feels, was the extreme positions taken by the Cuban delegation. That delegation first took the position that the word re-negotiation meant that the Cuban Government had the right to fix the rates unilaterally on the six items and that the United States could negotiate only on the compensation which would be given in return for the increases in rates. Although the Cuban delegation eventually receded from this extreme general position, it still insisted on obtaining most of the rates it had originally proposed, with increases ranging from 50% to 600%.

On the other hand, the United States delegation bettered the offers which it had first made in the re-negotiations and agreed to or offered increases in duty which in some cases were considerable and in all other cases ample. Contrary to the Cuban statement, there was only one case out of the nine (three of the items had later been split up into six to make a distinction between types of products produced in Cuba and those not produced there), on which the Cuban delegation eventually offered a decrease in duty, and the decrease was on types of products not produced in Cuba. In the case of the other two new sub-items set up to cover products not produced in Cuba, the Cuban delegation still asked for increases, and the United States delegation agreed to the increases requested in these cases. In all, the United States agreed to the increased rates requested on five of the nine items, and offered what it considered fully adequate increases on the other four.

With regard to the re-negotiation of colored woven goods the Cuban statement mentioned that on July 5 a member of the United States delegation remarked that the re-negotiations could not be undertaken at Annecy because of the imminent departure of the members of the United States Negotiating Team. If such a remark were made, it was apparently at a time when it was thought the Conference was to close around July 15. However, all but one of the members of the United States Negotiating Team were still in Annecy at the end of July, and some were still here at the time of the withdrawal of the Cuban delegation from the Conference and had previous to that time showed a willingness to continue the discussions regarding colored woven goods and were awaiting information which the Cuban delegation was to furnish.

Reverting to the circulation of the Cuban paper, Mr. Evans wished to ask the Chairman what protection a country could have against its secret negotiations being divulged. The document contained no symbol, there was no indication of secrecy, and he wished to know what could be done to safeguard the interests of a country which entered negotiations with another.

The CHAIRMAN explained that a copy of this paper with the request for distribution to the Contracting Parties had been handed to the Secretariat which had complied without having time to examine it. One copy had been given to each representative present and three copies were in possession of the Secretariat. As regards the protection to delegations, he thought the latter had to rely to a considerable extent

on the good faith of their negotiating partners. Documents were normally circulated with the agreement of the Contracting Parties but this had been a special case in view of the absence of the Cuban delegation. The only thing that could be done was to ask delegations to return the document. A summary of the document would appear on the records omitting all secret information as summary records although restricted documents were not labelled secret.

The CHAIRMAN reverting to the main question said that in view of the United States statement that the negotiations had not been concluded, nor broken off, no further action was necessary on the part of the Contracting Parties.

5. Decision as to the meeting required under Article XXIX

The CHAIRMAN, pointing out that the protocol amending Article XXIX had not yet entered into force, said that the text of the Article would be the one contained in the original edition of the Agreement and asked for comments.

Mr. SHACKLE (United Kingdom) proposed to put the matter off to the next session, and Mr. RODRIGUEZ (Brazil) whose country had not yet accepted the Protocol supported the United Kingdom proposal.

Mr. HEWITT (Australia) took it that the discussion at the next meeting would be on the date at which the meeting indicated should take place, if the Charter had not yet entered into force.

The CHAIRMAN agreed and the Contracting Parties agreed that in view of the fact that the Protocol amending Article XXIX had not yet entered into force the question be put on the agenda for the next session.

6. Programme of Work to be undertaken by the Secretariat

The Chairman pointed out that this item included suggestions considered by the I.C.I.T.O. but referred by the Executive Committee to the Contracting Parties:

- (a) Preparation of the report referred to in paragraph 1 (g) of Article XIV of the Agreement.
- (b) Preparation of material to serve as a basis for considering possible action under Article XII, paragraph (5).
- (c) Preparation of material as a basis for the consideration of applications under Article XVIII.
- (a) Preparation of the report referred to in paragraph 1 (g) of Article XIV of the Agreement.

With reference to point (a) Mr. WILLOUGHBY (United States of America) thought that it would be useful if the Secretariat took steps to prepare the information required which would be of great help when the I.T.O. came into being.

It was agreed that the Secretariat collect the material which would serve as a basis for the preparation of the report required by paragraph 1 (g) of Article XIV. The Executive Secretary said that the Secretariat had given some thought to the method which would be most appropriate for assembling data and had drawn up a questionnaire. He would like the Contracting Parties to agree to recommend to their government to do their best to reply as fully as possible. The Contracting Parties had not yet seen the questionnaire and for that reason he was cautious in wording his request but he would like to have this assurance.

Mr. AUGENTHALER (Czechoslovakia) submitted that the report be based on the same period as similar action which was being undertaken by the International Monetary Fund. Discrepancies due to taking different base periods would be unfortunate.

The CHAIRMAN said that the Secretariat would co-ordinate any action with the International Monetary Fund and added that this was one of the questions which the Executive Secretary proposed to discuss in Washington during the annual meeting of the Fund.

(b) Preparation of material to serve as a basis for considering possible action under paragraph 5 of Article XII

Mr. SHACKLE (United Kingdom) whilst recognizing that the article was mandatory on this point, said he was inclined to suggest that no decision be taken at the moment in view of certain important discussions which were about to take place in Washington on matters very closely related to the one before them. If the I.T.O. had been in existence, the work might have been done by that Organization but he thought it would be difficult with the limited resources of the Contracting Parties.

Mr. WILLOUGHBY (United States of America) for substantially the same reasons as those put forward by the representative of the United Kingdom, supported the proposal that the study be not undertaken. It was true that a contrary proposal had been made by the United States in the meeting of the Executive Committee, but there had been since then a number of developments - in particular with regard to the Sterling problem - which had made them reconsider their attitude.

Mr. LARRE (France) agreed that this might be difficult work for a provisional organization and that the moment might not be the most favourable. However he did not see any reason why the Secretariat should not collect material for a study.

Mr. AUGENTHALER (Czechoslovakia) was at a loss to understand the reason why the Executive Secretary should be asked to prepare a report on the restrictions to trade but not on the situation which had caused them.

Mr. REISMAN (Canada) supported the United Kingdom proposal not to take action at the present moment; but the matter should be kept under review and, if necessary, raised at the next session.

Mr. WILLOUGHBY (United States of America) wished to point out an important difference between the two tasks. For Article XV, it was a matter of preparing a report, whereas in Article XII, the matter was the initiation of discussions.

Mr. LARRE (France) said he understood the United Kingdom proposal to mean that the Executive Secretary should do nothing pending the Washington talks and that he should not be entrusted with a task which he could not do with limited means. In his opinion it was most important that the Executive Secretary closely follow the Washington talks and study the extent to which any measures which might be the outcome of such talks, did or did not serve the purpose of Article XII (5). With respect to the proposal of the representative for Canada who had mentioned the next session, he thought that contracting parties would find themselves in a much better position to give judgment if they were supplied with information which they would not otherwise have. This information would be essential for the I.T.O. when it came into being.

After Mr. CASSIERS (Belgium) and Mr. RODRIGUEZ (Brazil) had expressed their support, the United Kingdom proposal to defer action on the matter was accepted.

(c) Preparation of material as a basis for the consideration of applications under Article XVIII

Mr. HEWITT (Australia) as Chairman of the Working Party on Article XVIII, in reply to a question from the Chairman agreed that no further action was needed by the Contracting Parties after the approval of the report of his Working Party which had been submitted a few days before.

7. Date of the Fourth Session of the Contracting Parties

There being no proposals from representatives of the contracting parties, the CHAIRMAN suggested as a basis for discussion the date of 23 February 1950. His suggestion was made in view of the mandatory character of paragraph 1 (g) of Article XIV, requiring a report to be presented not later than March 1, 1950.

Mr. REISMAN (Canada) said that although his delegation had no specific date to propose, he would like to indicate generally, that, it being in the interest of all to have short sessions, the only way in his opinion, to achieve this object would be to meet frequently. He thought therefore that 23 February was not too early and that perhaps an earlier date might be advisable.

Mr. SHACKLE (United Kingdom) thought 23 February a reasonable date and suggested it be accepted. If it were necessary, it would always be possible to change it.

Mr. CASSIERS (Belgium) agreed with the representative of Canada that if 23 February was not accepted the date should be an earlier one.

Mr. THOMESSON (Norway) also supported the views of Mr. Reisman.

Mr. HEWITT (Australia) said that he felt that, if the date of 23 February were accepted it should be with the qualification that it could be changed if circumstances so required. For his part he could not support an earlier date.

The date proposed of 23 February for the Fourth Session of the Contracting Parties was approved.

As regards the place of meeting the CHAIRMAN pointed out that the Secretariat being in Geneva there seemed to be no reason for holding the meeting elsewhere.

Mr. SHACKLE (United Kingdom) supported the proposal of holding the Fourth Session in Geneva and added that if it were found necessary to go elsewhere as long a warning as possible should be given.

The CONTRACTING PARTIES agreed to hold the Fourth Session in Geneva.

The meeting adjourned at 7.30 p.m.