

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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SUMMARY RECORD OF THE SECOND MEETING

Held at the Palais des Nations, Geneva
on Friday, 3 October 1952 at 10.30 a.m.

Chairman: Mr. Johan MELANDER (Norway)

Subjects discussed:

1. Libyan Products
2. Torquay Protocol
3. Rectifications and Consolidated Schedules - Legal Status

1. Italian Special Treatment for Libyan Products (G/21)

Mr. DI NOLA (Italy) drew attention to the fact that the present Italian request for authority to grant special customs treatment to goods originating in Libya differed from the one made to the CONTRACTING PARTIES at the Sixth Session. At that time, Libya had not acquired its independence; since then it had become possible to have contacts with the Government of the United Kingdom of Libya which had agreed to the list of products which should benefit from special treatment. This régime was not new; it had begun in 1921 and had since been adapted to the gradual changes in the Libyan economy. On resumption of the preferential treatment after the interruption of the war, the favourable effects had soon made themselves felt and Italian imports from Libya had increased by 237 per cent between 1948 and 1951. The present list annexed to the request differed from that submitted to the Sixth Session: they were then dealing with provisional arrangements, whereas it was now their intention to put the economic relations between the two countries on a stable basis. He wished to point out that the products listed were not more numerous than before the war, nor were any quotas greater; some had even been diminished in the light of present Libyan needs. The Libyan Government had suggested to them that sheep, goats, eggs and gas coke be added to the list. The Italian Government were examining this request and, he thought, would agree to the proposal. The attention of the CONTRACTING PARTIES was drawn to the need for establishing a stable régime: a preferential system for one year, subject to yearly approval by the CONTRACTING PARTIES would not, because of the uncertainty thus created, satisfy the needs of Libya or promote its economic development. The aims of the measures under discussion, which presented considerable sacrifices for Italy, required a certain stability. Contracting parties could see that the products in the schedules were mainly raw materials and handicrafts, which were not of great interest to them. From the legal aspect, a waiver was required under Article I of the General Agreement. Italy wished to use the waiver within a time limit to be decided by the CONTRACTING PARTIES, but there would be

no obligation on Italy: the only permanent obligation for Italy was the one undertaken before the United Nations to help the development of the Libyan economy.

Mr. COOBAR (Libya) said that the exports of Libya had for years been directed mainly to Italy. Libya was a new country with a newly constituted Government. Costs of production and development were extremely high; while the possibilities of exporting were low. At the present time Libya was not in a position to compete in world markets without some favourable treatment, and this treatment had been accorded in Italian markets. The Government of the Kingdom of Libya favoured very strongly the Italian proposal and hoped it would be accepted by the CONTRACTING PARTIES.

M. REOUYER (France) wished to support the Italian request and thought that Mr. Di Nola had given adequate reasons. It was indispensable for Libya that her markets be protected, and Libyan production was not, relatively, important, centering mostly around handicrafts and agricultural products. The CONTRACTING PARTIES should not lose interest in any of the new countries established by the United Nations. As annual decisions would present disadvantages, he suggested that a waiver be granted for a three-year period; this would be a reasonable period, at the end of which the authorization to Italy to deviate from the provisions of the Agreement could be extended automatically from year to year until a contracting party, Libya or Italy, raised objections. Furthermore, as it was clear that the quotas could not be considered final or unchangeable, and in view of oscillations in Libyan production, he suggested that the CONTRACTING PARTIES envisage the possibility of review from time to time.

Dr. HELMI (Indonesia) expressed the support of his Government. They did not consider that harmful consequences would result for the time being, but the possibility could not be ruled out that some of the products involved, for instance oil, fish and jute, might in the future compete with those originating in Indonesia. While supporting the request he felt that the time limit must not be more than three years lest the special treatment granted to Libyan products should unduly favour Libyan products against the raw material exports of other underdeveloped countries whose main income resulted from such products.

Mr. THORP (United States) said that Mr. Di Nola had dealt with one of the points which had caused the United States Government some concern: the fact that the present list differed from that approved by the CONTRACTING PARTIES at the last Session. In view of the attitude of the Agreement towards established preferences as opposed to new preferences, he was greatly relieved to hear from Mr. Di Nola that the present list did not go beyond the 1937 arrangements. There was, however, another aspect of the matter on which confusion might easily arise. There were in fact two viewpoints from which the problem of duration could be examined: there was, first, the length of time required for the economic rehabilitation of Libya to take place; and, on the other hand, the time required by Libya to find her proper place in world trade, particularly in view of the

historical channels of her trade which could not immediately be altered. The situation should be kept under review so that it might be possible to examine, in the light of Libyan plans, the rate of progress being achieved. He had no objection to a period of three years as an operating arrangement but thought it would be useful to obtain from the Libyan Government some indication of the direction in which they wished to go. He therefore put to the CONTRACTING PARTIES for discussion two suggestions: they could grant a waiver for a longer period and request annual reports on trade, economic development and planning; or they could grant a waiver for a shorter period so that the matter would be periodically brought before the CONTRACTING PARTIES for review. He thought the first suggestion would perhaps be more satisfactory.

Mr. COOBAR (Libya) supported the French proposal for a three-year waiver and suggested that the Libyan Committees on Foreign Trade and Economic Planning submit yearly reports to the CONTRACTING PARTIES.

Dr. van BLANKENSTEIN (Netherlands) supported the Italian request and held it necessary as a temporary arrangement that Libya be helped by Italian preferential treatment. However, Libya should in the long run establish trade with as many countries as possible and not with Italy alone. He supported Mr. Thorp's views on receiving yearly reports from Libya.

Mr. PAPATSONIS (Greece) shared the views of the Indonesian representative in respect of future possible competition from Libyan products. Such products as dates, raisins, oil, etc., were also Greek products. His Government would be satisfied with the three-year time limit, and the annual submission of reports describing measures aimed at the development of Libya.

Mr. DI NOLA (Italy), replying to the remarks of previous speakers, thought he saw general agreement that a one year period would be too short and a constant source of uncertainty. The French suggestion of a three-year period, which had been supported by other delegates was acceptable. He agreed to the submission of annual reports which he presumed would be the task of Italy as a contracting party. The Italian Government proposed that the arrangement should be allowed to continue unless, at the end of the three year period, objections were raised by Libya or by a contracting party. There was another point of some difficulty: variable crops and changing circumstances in Libya might require modifications in the list of products receiving special treatment. In order to give the arrangement a certain elasticity, provision should be made for changes in the list. He mentioned, as an example, that barley was only exported from Libya when the crop was favourable and exceeded local demands. Another example was that of early vegetables and fruits which could find a market only in Italy. If there was a possibility of increasing Libyan exports, he thought that this should be allowed for and suggested that increases in quotas or replacements of one product by another could be announced to the Executive Secretary who would inform the contracting parties; if no objections were received within, say, thirty days, the modification would be considered approved by the CONTRACTING PARTIES. He wished to make it

clear that the Italian Government had no direct interest in making any changes in the list: they considered they were fulfilling their task of assistance with the list as it stood. But although they did not seek to lengthen the list they thought the needs of the Libyan economy would be better served if a certain elasticity were allowed. Modifications were not likely to be very great. He suggested that both his Government and the Government of Libya submit reports and after the end of three years the arrangement would automatically continue year by year unless objections were raised. As for the concern of the Indonesian representative with the possibilities of future competition from Libyan raw materials, no real problem arose, as costs of transport were involved. Moreover, the evolution of the two countries would not be so rapid as to prevent adequate steps being taken when the occasion arose.

Dr. HELMI (Indonesia) wished to repeat that his Government was definitely in favour of the waiver. He did not fear Libyan competition but the possibility could arise of a conflict of interests. The Indonesian Government realised that Libya needed a period of adjustment and for this reason his Government favoured a three-year waiver. However, too long a period was not advisable since the whole idea of a permanent preferential treatment was contrary to the spirit of the Agreement. The proposal that contracting parties present their objections within thirty days was not advisable since his country was geographically too remote to allow for a reply in so short a period. He suggested a longer period such as two months or more.

Mr. ISBISTER (Canada) expressed the sympathy of his Government with the present case. He felt that if these preferences had been brought before the CONTRACTING PARTIES at the time of accession they would have been included under Article I. He was also conscious of the fact that, had this been done, the preferences would have been subject to negotiation. It seemed, therefore, reasonable that, in granting the waiver the CONTRACTING PARTIES should ask for an annual report. He was, however, concerned by the Italian suggestion that the waiver should allow for modifications simply by giving notice to the contracting parties and allowing a period of thirty days for objections; this went somewhat beyond the general rules established for preferences, and he questioned the desirability of granting such a measure of freedom.

Mr. LECKIE (United Kingdom) said he had not intended to intervene in the discussion because he had come prepared to support the Italian request. In view of the discussion which had taken place he felt he should make clear the views of the United Kingdom Government, whose reasoning was very much in line with the views expressed by the Delegate of Canada who had referred to the situation which would have arisen had the pre-war preferences been notified at the time of Italy's accession. In that case the preferential system would doubtless have been recognised by the Agreement and a base date would have been fixed, as for other contracting parties, which would have set the limit for the grant of preferences. For this reason he had been relieved to hear that the present list did not go beyond the pre-war preferences. He was,

however, disturbed by the suggestion that products in the list might be changed and new ones introduced. This would go beyond the ordinary rules covering preferences and would lead them into a discussion of preferences for development purposes, a subject which would be of interest to a number of contracting parties. His Government would support a waiver for a period of three years for the schedule presented by the Italian Government.

Mr. VALLADAO (Brazil) said that his Government shared the apprehensions of others in that some of the products listed were of interest to them. He agreed, however, to a three-year period after which the matter would be submitted to the CONTRACTING PARTIES, and also supported the suggestion that annual reports be required.

Mr. THORP (United States) felt that although Libya was not a contracting party it would be appropriate to ask the Libyan Government to submit an annual report on their economic planning whilst Italy would report on the operation of the special regime under the waiver. He wished to support the representatives of the United Kingdom and Canada in their statements concerning the possibility of modifications to the list as it was very important for trading interests that there should be some stability of arrangements. Changes might affect a number of countries whose interests might be prejudiced if Italy increased the amounts of products which she obtained from Libya. Further, other countries would be less apt to include Libyan products in their import plans because of the uncertainty as to availabilities. Exporters might also suffer in the Italian market. Although contracting parties could give a negative vote to suggested modifications this was a step which was always unwillingly taken and he thought it was on the whole better if arrangements could be stable: it would always be possible to ask for modifications at sessions of the CONTRACTING PARTIES. He hoped the Italian representative would not press his request.

Mr. DI NOLA (Italy), referring to the remarks of the delegates of Canada and the United Kingdom, said that his Government had not notified preferences with Libya at the time of accession because although it had already surrendered its sovereignty over the territory there was still no Libyan Government. He would add that the importance of the preferences in question from the point of view of negotiation was very small. The Italian Government had no interest in extending the measure of preferential treatment, and considered it was fulfilling its task in coming to the aid of Libyan development with the present measure. However, he thought there might be changes in Libya's export possibilities of additional products which could find their principal outlet only in Italy; but if the CONTRACTING PARTIES preferred, he would not press the point.

The CHAIRMAN stated that, as an important question of principle was involved, a formal decision under Article XXV would have to be taken by the CONTRACTING PARTIES. There appeared to be agreement to grant a waiver for three years during which the Government of Italy would submit annual reports on the operation of the special regime and the Government of Libya on its plans for economic development; there were to be no changes in the

list unless authorised by the CONTRACTING PARTIES: The Executive Secretary would prepare a draft of the waiver for consideration at a later meeting.

2. Request for Extension of Time to sign the Torquay Protocol (L/12 and Add.1, L/30 and Add.1)

The SECRETARY said that Brazil, Korea, Nicaragua, Philippines and Uruguay had not signed the Torquay Protocol. All the foregoing, with the exception of Uruguay, had received an extension of the period of time to sign until 15 October 1952. The time limit in the case of Uruguay expired on 30 April 1952 and the Uruguayan Government now requested a further extension until 30 April 1953 to sign both the Torquay and Ancey Protocols. The Philippines had requested an extension to 21 May 1953. No requests for further extensions had been received from the other governments.

Mr. VALLADAO (Brazil) said that the Torquay Protocol was now before the Brazilian Congress and requested that the time for signature by his Government be extended to 31 December 1952.

The CHAIRMAN remarked that the representatives of Nicaragua and Korea were not present and since neither government had requested an extension beyond 15 October of the time to sign, no action by the CONTRACTING PARTIES was required.

It was agreed that Brazil and the Philippines should be granted an extension of the time to sign the Torquay Protocol to 31 December 1952 and 21 May 1953 respectively, and Uruguay an extension of the time to sign both the Ancey and Torquay Protocols to 30 April 1953. Formal decisions would be drawn up by the secretariat and presented to the CONTRACTING PARTIES for approval at a later meeting.

3. Rectifications and Legal Status for the Consolidated Schedules (L/28 and Add.1 and L/25)

The CHAIRMAN said that both these items were technical and had best be referred immediately to a working party as had been the practice in the past.

It was agreed to set up a Working Party under the chairmanship of M. Donne (France), composed of Belgium, Denmark, Germany, Italy, United Kingdom and the United States and with the following terms of reference.

1. To consider rectifications to the Schedules and if necessary to draw up a suitable Protocol for signature.
2. To consider the best means of giving effect to the transposition into the Brussels Nomenclature of Section B of Schedule II - Benelux (Belgian Congo and Ruanda Urundi).
3. To examine the question of giving legal status to the Consolidated Schedules and to recommend to the CONTRACTING PARTIES what action should be taken.

The meeting adjourned at 12.55 p.m.