

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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SUMMARY RECORD OF THE FOURTEENTH MEETING

Held at the Palais des Nations, Geneva
on Friday, 7 November 1952 at 10:00 a.m.

Chairman: Mr. Johan MELANDER (Norway)

- Subjects discussed:
1. Reports of Working Party 1 on
ICC Resolutions
 2. Reports of Working Party 5 on
Balance-of-Payment Import Restrictions
 3. Report of Panel on Complaints on
Belgium's Allocations Familiales
 4. Status of Protocols and Schedules
 5. United States Subsidy on Exports
of Sultanas

1. Two Reports of Working Party 1 on ICC Resolutions (G/33 and G/28)

Mr. R. ASHFORD (Chairman of the Working Party) introduced the two reports, which contained unanimous recommendations. The first report (G/28) submitted to the CONTRACTING PARTIES for their approval the Codes of Standard Practices on Documentary Requirements and on Consular Formalities. While the first had been only slightly changed with respect to the Sixth Session draft, considerably stronger terms had been agreed upon for the Recommendations on Consular Formalities. A further recommendation was submitted to the CONTRACTING PARTIES on the treatment of existing contracts when import and export restrictions were introduced or intensified. The ICC Resolutions on Valuation for Customs Purposes and on the Nationality of Manufactured Goods had been carefully examined and it had been found that further information was required before any positive action could be recommended to the CONTRACTING PARTIES.

With its second report (G/33) the Working Party submitted for approval the unanimously agreed text of the International Convention to Facilitate the Importation of Commercial Samples and Advertising Material. It was recommended that the CONTRACTING PARTIES finalize the text and open the Convention for signature on 1 February 1953. Signatures would be accepted by the Secretary-General until 30 June 1953 after which date countries might adhere by the procedure specified for accession. He felt that the Convention had been considerably improved although changes of substance were not very great.

Mr. ROUX (European Customs Union Study Group) took the opportunity to announce, before dealing with the subject which was before the CONTRACTING PARTIES, that the required number of ratifications of the Convention of 22 December 1950, for the creation of the Customs Co-operation Council had been reached. He was pleased to inform the CONTRACTING PARTIES of the birth of this new organization which intended to pursue a policy of close collaboration with the CONTRACTING PARTIES. This organization would limit its activities to the field of customs technique and would carefully avoid problems of economic policy. He added that the 1950 Convention was open to accession by all countries whether European or not and whether they had accepted the Conventions of the same date on Customs Nomenclature and on Valuation for Customs Purposes.

Reverting to the question of valuation as considered in the reports before them, he stated that although the Brussels Convention on Valuation had already been signed by some contracting parties to the General Agreement, it was not yet in force. Inspired by the principles of Article VII of the Agreement, it provided a practical definition of value capable of being applied by customs administrations and of giving traders those legal guarantees to which they were legitimately entitled. He felt that the Working Party had been wise in suggesting that, before passing judgment on the Brussels Definition, it would be proper and useful to see the definition in operation for a reasonable period.

With respect to the origin and provenance of goods, the Customs Union Study Group had already tackled this difficult problem and he agreed that it was too delicate to be examined without a proper preliminary investigation and collection of information. As to the recommendations of the Working Party relating to documentary requirements, consular formalities and formalities connected with quantitative restrictions, he considered that they bore the marks of liberalism and caution.

The Study Group had also examined the question of samples and had reached conclusions similar to those contained in the reports under consideration. He was gratified to note that the Working Party had gone into such a detailed examination of the customs treatment of samples and extended his congratulations to Mr. Ashford and his colleagues for a draft which was more complete than the League of Nations' text of 1923 and capable of giving the trading world facilities which would be highly appreciated.

M. LECUYER (France) expressed his praise for the efforts of the Working Party which would result in a definite improvement of government regulations and practices not only in the customs treatment of samples but also in the field of documentary requirements and consular formalities. The unanimity of the Working Party was evidence of the spirit of collaboration of its members each of whom had had to abandon procedures to which

they were attached for the sake of reaching an acceptable agreement. The study suggested by the Working Party on the questions of valuation and nationality of goods would serve a useful purpose in tending towards the uniform application of the principles of Articles VII and VIII. Thanks were due to the International Chamber of Commerce and to the European Customs Union Study Group for their contribution of experience.

Mr. KILGORE (Canada) was gratified that the proposals of the Chamber had been carefully scrutinized by the Working Party. He hoped that the recommendations on documentary requirements, consular formalities and existing contracts would be adopted by the CONTRACTING PARTIES. His Government already adhered to all the principles contained in these recommendations and supported any attempt to extend their application. He was pleased to note that the various changes made at the present Session to the Convention on Samples, tended to liberalize the provisions. He had received the final text too late, however, to obtain instructions from his Government and could not, as suggested in paragraph 3 of the Report (G/28), agree to "adopt" the text but only to submit it to his Government for examination.

Mr. SINGH (India) congratulated the Working Party and its Chairman. He had no comments to make on the first Report (G/28) except to express satisfaction that the secretariat had been entrusted with a further study of the questions of valuation and nationality of manufactured goods. He also reserved his position with regard to the adoption of the text.

Mr. ISIK (Turkey) congratulated the Working Party on its work but reserved his position on certain points. With regard to Annexes A and B of the first Report, he felt there was a certain contradiction in their terms in that the first recognized that governments might "in certain cases" require certificates of origin, consular invoices, etc. whilst in the Standard Practices on Consular Formalities it was recommended that such documents be abolished. He said that there were cases in which his country might require such documents and the Standard Practices had not indicated when such a requirement was permissible. He therefore reserved his position on this point. Furthermore, if consular formalities were maintained, it would be difficult to impose fees at a flat rate; governments would not only have to resort to other sources of income to replace the loss of revenue but traders also might suffer in that small consignments would be taxed at an unduly high rate. While it was not the intention of his Government to continue indefinitely to require consular fees, it might be premature to abolish them at this stage, and he reserved his position on this matter.

Mr. VALLADAO (Brazil) said that, having participated in the work, his delegation had done all it could to assist the Working Party to obtain agreement on the points at issue but would have to reserve its position on the Code of Standard Practices relating to consular formalities pending study by their Government. They would have to make similar reservation on the Samples Convention.

Mr. SCUTT (Haiti) said that his delegation favoured in principle the recommendations contained in the report but that his Government was at present not in a position to abolish consular invoices nor to reduce consular fees.

Mr. LECKIE (United Kingdom) wished to dispel any misunderstanding as to the consequences of an adoption of the text of the Samples Convention by the CONTRACTING PARTIES. The CONTRACTING PARTIES were asked to finalize the text annexed to the report and this did not mean that contracting parties would, in any way, be committed to sign or ratify the Convention. Since this matter had now been studied in two sessions of the CONTRACTING PARTIES, it would be regrettable if this stage of the work were not completed now and he hoped that the CONTRACTING PARTIES would agree to open the Convention for signature.

His Government considered the recommendations on documentary requirements and consular formalities a great advance over anything that had hitherto been done in this field and he hoped they would commend themselves to the CONTRACTING PARTIES.

Mr. PANSEGROUW (South Africa) said his delegation had studied the reports of the Working Party with interest and thought the work had been useful.

In view of the remarks of the United Kingdom representative, and provided it were clear that no government was committed by the adoption of the text of the report and of the Convention to eventual signature, he would not reserve the position of his delegation on this matter. Although the recommendation on quantitative restrictions had been weakened in his view, as compared with earlier texts, he agreed fully with the contents of the recommendations on documentary requirements and consular formalities.

He was glad to note that no standard definitions of valuation and nationality of goods had been put forward by the Working Party. He expressed the misgivings of his delegation, however, at the suggestion that the CONTRACTING PARTIES pursue further the study of ways to give effect to the principles of Article VII of the Agreement. Article VII had required long discussions in the course of the drafting of the General Agreement and was now included in Part II. His Government, despite certain conflicting points in its legislation, had accepted the Article and would amend its legislation if and when the Agreement is put

into effect definitively. At this stage, however, he felt that no useful purpose would be served by a study of the application of the principles of Article VII.

With regard to nationality of manufactured goods, he fully agreed with the minority of the Working Party which "did not feel that any useful purpose would be served by attempting to draft a uniform definition at this stage and that in any case any such attempt would be fruitless".

Mr. PAPATSONIS (Greece) said his Government attached great importance to the recommendations of the Working Party. In commenting on the drafts submitted to his Government after the Sixth Session, his Government had raised the question of reciprocity and had suggested that the substance of the recommendations on documentary requirements and consular formalities be adopted by the CONTRACTING PARTIES in the form of legal obligations binding upon all governments. His delegation which had participated in the Working Party had, however, been convinced by the arguments brought forward that no action could be taken on the lines suggested. He therefore agreed with the contents of the reports on the understanding that a final decision on the acceptance of the Samples Convention would rest with his Government.

Mr. ASHFORD said that, as the representative of the United Kingdom had stated, the Working Party requested only that the CONTRACTING PARTIES finalize the text so that the Convention might be opened for signature. The fact that governments would need to give careful scrutiny to the provisions of the Convention had been borne in mind by the Working Party and for that reason it had been suggested that the Convention would not be open for signature before 1 February 1952.

To the representative of Turkey he wished to say that the reference to the possibility that a certificate of origin might be required in certain cases, was only made at that point in passing and that it was not thought necessary to specify the particular cases where it could be required. The Working Party did consider whether it was appropriate to refer in the recommendations on documentary requirements to consular invoices as possibly being necessary in certain cases although their abolition in the recommendations on consular formalities was recommended. With regard to the recommendation, originally proposed by the International Chamber of Commerce, that consular fees should be a flat charge not proportionate to the value of the goods, the Working Party hoped that this charge would be so reduced as not to constitute an excessive burden to traders even in the case of small consignments.

In reply to the representative of South Africa, he said that the Working Party fully realized that Article VII of the General Agreement need only be applied to the fullest extent not inconsistent with existing legislation, but the question of valuation for customs purposes was of such great interest both to governments and to traders that the majority

of the Working Party decided that its study should be pursued further in order to provide the CONTRACTING PARTIES with a basis for any course of action they might wish to take. The collection of information would imply no commitment on governments.

The CHAIRMAN confirmed that the contracting parties, at this meeting would only be asked to finalize the text; governments would then have time until at least 1 February 1953 in which to decide whether they wished to sign the Convention.

The CONTRACTING PARTIES, subject to the reservations expressed by some representatives, adopted the reports and annexes submitted by the Working Party and agreed that these documents be de-restricted on 15 November 1952.

The CHAIRMAN associated himself with the congratulations of previous speakers to the Working Party and its Chairman.

2. Balance-of-Payment Import Restrictions - Reports of Working Party (L/51, L/54 and L/55)

Mr. TONKIN (Australia), Chairman of the Working Party, introduced the three reports, thanking the Working Party and the observers who had attended the proceedings for their collaboration. He felt it was his duty and pleasure to place on record the important part played by the representatives of the Fund and expressed his gratification for the harmonious relations which had been established between the two international bodies. The new approach which lay emphasis on both the commercial and financial aspects rather than on the purely financial aspects, as had been principally the case in the past, had proved most successful. Not only had the scope of the consultations been widened but their interest had been enhanced. He proposed that the three reports be taken separately.

Turning to the first report (Document L/51) Mr. Tonkin explained that it covered the consultations which had been completed with seven countries, vis.: with France and Pakistan under XII:4(b); with Italy and the Netherlands under XIV:1(g); and with Australia, Ceylon and the United Kingdom under both XII:4(b) and XIV:1(g). The representatives of these governments had indicated that they had taken full note of the views expressed by other contracting parties and that these views would be conveyed to their governments for consideration. Paragraph 54 recommended that the CONTRACTING PARTIES take note of the report and record that consultations with these governments were concluded with the adoption of the report.

The Working Party further recommended that the CONTRACTING PARTIES defer their consultation under Article XIV:1(g) with New Zealand until the Fund was in a position to submit the necessary data, and defer the consultations with South Africa under Article XIV:1(g) and with Southern Rhodesia under Articles XIV:1(g) and XII:4(b) until such time as the Fund had completed its own consultations relevant to them.

Pursuant to paragraph (e) of its terms of reference, the Working Party had initiated consultations with eight contracting parties which in its judgment had changed their balance-of-payment import restrictions since the Sixth Session in such a manner as to make consultations appropriate under Article XII:4(b). Of these consultations, two namely with Ceylon and Pakistan, had been completed as indicated above. The Working Party recommended that, in order to give the Governments and the International Monetary Fund adequate time for preparation, the consultations with Brazil, Chile, Finland, Sweden, New Zealand and the Union of South Africa under Article XII:4(b) be postponed until after the present Session. In connection with these consultations the Working Party recommended that the Intersessional Committee be authorized to conduct, or to set up a working party to conduct, consultations intersessionally with any governments with which it might be found convenient, so that they might be concluded at the Eighth Session.

Mr. ADARKAR (India) paid tribute to the Chairman and the Working Party for the manner and understanding with which they had fulfilled their task; this was of particular importance in view of the example that might be set for future consultations. The report clearly reflected the ramifications of the War in Korea; all the countries which had engaged in consultations had invoked the effects of the post-Korean crisis in support of the measures which they had taken in restricting imports. He alluded to the necessity of international measures being taken to stabilize commodity markets without which restrictions could not be eliminated.

The CONTRACTING PARTIES adopted the recommendations and suggestions contained in paragraphs 1, 3, 4 and 54 of the first report, and approved the report as a whole.

Mr. TONKIN (Australia) then introduced the second report of the Working Party (L/54), by which the Working Party submitted for adoption the draft it had prepared for the "Third Annual Report on the Discriminatory Application of Balance-of-Payment Import Restrictions", and referred in particular to paragraph 2 which related to the reports required to be made annually by the CONTRACTING PARTIES on any discriminatory measures still being taken by contracting parties. He mentioned that most of the contracting parties applying discriminatory restrictions had furnished the necessary data but that two governments had not advised the CONTRACTING PARTIES whether they maintained restrictive measures under the provisions of Article XII. The draft report prepared by the Working Party was based on statements received from the governments concerned, on material supplied by the International Monetary Fund, and on the further discussions

which had taken place at the present sessions. It was devoted to an examination of the changes that had taken place in the discriminatory practices of governments since the close of the last Session and, in addition, it examined some of the commercial implications as well as the financial basis for the discriminatory policies pursued.

U SAW OHN TIN (Burma) informed the CONTRACTING PARTIES that according to information he had received the data required of his Government had been dispatched; if it should reach him after the end of the Session, he would forward it to the Executive Secretary.

Mr. RIBU (Norway) said he was gratified to note that the intention of the CONTRACTING PARTIES to lay greater stress on the trade aspects of restrictions had been carried out by the Working Party with interesting and useful results. Section IV of the second report, for instance, expressed views and drew conclusions mainly concerning the incidental effects which trade barriers may have upon the price and cost structures of different countries. The CONTRACTING PARTIES were here confronted with some of the most important and difficult problems of international trade: problems connected with the absence of convertibility of currencies and the closely allied problems arising out of the differences in world price levels for goods and services. In the opinion of his delegation, the opportunity should have been taken to deal more closely with the main causes of these structural problems. They were, however, glad that some progress had been made in this field with the present report and hoped that at the next Session a more comprehensive analysis could be made.

Mr. van der PEIJL (Netherlands) said that the report on the discriminatory application of restrictions dealt only with certain trade aspects and had not laid enough stress on the problems which countries with balance-of-payment difficulties are experiencing in their attempts to increase their exports. There was without doubt a very close relationship between import restrictions caused by balance-of-payment difficulties and other barriers which impeded the expansion of international trade. The CONTRACTING PARTIES should recognize that the opening of frontiers to imports by substantial reduction of tariffs and other barriers would promote international trade and consequently bring about a relaxation of quantitative restrictions.

The CHAIRMAN said that the Working Party had proved that the CONTRACTING PARTIES had followed the proper course in deciding to give greater consideration to trade factors in their analysis. Trade restrictions had been shown to be the symptoms of underlying causes which the CONTRACTING PARTIES would have an opportunity to investigate at the next Session.

The CONTRACTING PARTIES approved the second report of the Working Party and adopted the text for the Third Annual Report on the discriminatory application of import restrictions as drafted by the Working Party.

Mr. TONKIN (Australia) presented the third report of the Working Party which dealt with procedures for the annual consultations and the reporting in 1953 as well as for the initiation of consultations between sessions. He drew attention to the questionnaire annexed to the report which was an up-to-date revision of the earlier questionnaire prepared on the basis of the experience of this Session and taking into account the new emphasis on the trade aspects of the import restrictions. The questionnaire was so designed that contracting parties applying import restrictions would be required to furnish in 1953 a new and complete description of their restrictions. The Working Party recommended that the Executive Secretary be authorized to prepare a draft of the fourth annual report on the basis of the replies to the questionnaire and, if necessary, to communicate with the governments to seek any additional information. As for the procedure for consultations in 1953 it was proposed that the same procedures followed in 1952 be adopted. Resulting from a review of the existing intersessional procedures, two recommendations were presented by the Working Party. The purpose of these two recommendations as contained in paragraph 11, was to ensure that any consultations which may become appropriate under Article XII:4(b) would be initiated without undue delay. Finally, the Working Party recommended that the procedures for action on matters arising in Articles XII-XIV between sessions as approved at the Third Session and modified at the Sixth Session be confirmed to operate between the Seventh and Eighth Sessions, subject to the amendment mentioned above designed to strengthen the efficacy of the procedures in respect of Article XII:4(b).

Mr. ADARKAR (India), referring to the new questionnaire, said that, although it was drafted in the form of recommendations, he had no instruction and would have to reserve his position. Referring to question 6 he asked under which provision of the Agreement, governments were to be asked to describe the rôle played by prices in determining licensing policy.

Mr. SVEC (Czechoslovakia) also wished to reserve his position because his Government had not had time to examine the questionnaire.

Mr. HAGEMANN (Germany) expressed agreement in principle with the proposed procedures and support for any initiative tending to avoid, in the application of restrictions, any unnecessary damage to the commercial or economic interests of contracting parties. Recalling the decision to invite Finland to consult, he wished to refer to the danger that countries may be required to consult after having reimposed restrictions which a temporary improvement in their payments position

had induced them to relax. This might have the effect of discouraging governments from taking action as soon as an improvement in its payments position was evident and he asked that action of this kind should not be considered by the Chairman and the Executive Secretary as constituting a prima facie case for consultations. As to the rest of the report his delegation agreed to maintain the present intersessional procedure for the examination of import restrictions and with the other recommendations contained in the report.

Mr. TONKIN, replying to the delegate for India, said that the Working Party, on the basis of its experience this year, thought it would be helpful if on future occasions the CONTRACTING PARTIES were given information concerning the procedures adopted in such matters, and he referred to the relevant passage in paragraph 4 of the Working Party's report.

In reply to the representative of Germany he wished to state that the Working Party had, in the case of Finland, taken into due account the fact that certain restrictions had been imposed as a consequence of a change for the worse in the situation which had earlier induced the Finnish Government to relax them.

The third report of the Working Party was adopted by the CONTRACTING PARTIES.

Mr. ANDERSON (International Monetary Fund) wished to thank on behalf of the Fund the Chairman of the Working Party for his kind remarks and to express the pleasure of the Fund representatives over the harmonious way in which working relationships had developed.

The CHAIRMAN thanked the Working Party and its Chairman and expressed the appreciation of the CONTRACTING PARTIES for the work they had done. On behalf of the CONTRACTING PARTIES he also wished to thank the representatives of the International Monetary Fund for their most helpful collaboration.

3. Belgium's Allocations Familiales - Report of Panel on Complaints (G/32)

Mr. ISBISTER (Canada and Chairman of the Panel) introduced the report of the Panel and explained that the legal issues were so involved that the Panel considered that it would be ^{difficult} for the CONTRACTING PARTIES to arrive at a definitive ruling. Although in fact the Belgian law appeared mandatory on the Government, one exception had nevertheless been made for a country whose system of family allowances did not fully meet the requirements of the Belgian law and doubts were thus cast on the extent to which the Belgian legislation fulfilled all the conditions justifying an exception under the Protocol of Provisional Application. The Panel therefore suggested that the CONTRACTING PARTIES recommend that the Belgian Government expedite the consideration and adoption of measures necessary to remove the discrimination and report not later than the opening of the Eighth Session.

Mr. SEIDENFADEN (Denmark) thanked the Chairman and the Panel for their work and expressed the hope that if the CONTRACTING PARTIES adopted the Panel's recommendation, the problem would be promptly solved.

The CONTRACTING PARTIES adopted the report of the Panel and the recommendation contained therein.

M. Le GHAIT (Belgium) said that his Government would certainly endeavour to put into effect the recommendations of the CONTRACTING PARTIES and paid tribute to the work done by the Panel in clarifying some difficult legal issues. He thanked the representatives of Denmark and Norway for their spirit of collaboration.

Mr. RIBU (Norway) thanked the Panel and the representative of Belgium and hoped that a prompt solution would be reached.

4. Status of the Protocols and Schedules (L/53)

The CHAIRMAN called the attention of the CONTRACTING PARTIES to document L/53 which listed the contracting parties which had still to sign certain protocols. He asked governments to give attention to the matter and to advise the Executive Secretary when they expected to sign. He submitted to the CONTRACTING PARTIES for their approval the draft decisions, contained in document L/53, to grant extensions of time to sign the Torquay Protocol to the Governments of Brazil and the Philippines and for the Torquay and Ancey Protocols to the Government of Uruguay. Should the CONTRACTING PARTIES also wish to grant extensions to the Governments of Nicaragua and Korea amendments to the decision relating to Brazil and the Philippines were contained in document L/53/Add.1 for this purpose.

Mr. SVEC (Czechoslovakia) referring to the proposed amendment so as to grant an extension to Korea, said that this departed from the latest discussions held in the CONTRACTING PARTIES on the subject. He was opposed to granting an extension of time to the southern part of Korea not only because his Government did not recognize Korea, but also for practical reasons. On the admission of the Koreans themselves, there was no trade at the moment and they had not even requested an extension of time. His Government had opposed the accession of Korea to the Agreement because they considered this a political and not an economic question. Their views had been confirmed by the Korean note and he opposed granting a further extension of time.

The CHAIRMAN replied that he had been informed by the representative of Korea at the present Session that his Government was considering the question of the signature of the Torquay Protocol and he did not think the CONTRACTING PARTIES would want to deprive them of this opportunity.

Dr. HELMI (Indonesia) said that his Government had given instructions for the signature of the First Protocol of Rectifications and Modifications.

Mr. TREU (Austria) said that his Government required parliamentary approval before it could take action but expected that signature of this Protocol would not be long delayed.

Mr. VALLADAO (Brazil) said that the signature of the First Protocol of Rectifications and Modifications awaited signature of the Torquay Protocol.

The first decision contained in L/53, as amended in accordance with the note in L/53/Add.1, and the second decision as appearing in L/53 were approved.

5. United States Subsidy on Exports of Sultanas

Mr. PAPATSONIS (Greece) informed the CONTRACTING PARTIES that his delegation had held bilateral discussions with the delegation of the United States in the course of which they supplied the United States representatives with additional information to show the real prejudice suffered by his Government as a result of the United States subsidy on sultanas. In view of the short time available and also because of the elections which were being held in Greece and in the United States, it was agreed that bilateral discussions should continue after the Session. He asked that the CONTRACTING PARTIES keep the item on their agenda but hoped that in the next few months the bilateral discussions would have a favourable outcome.

Mr. ISIK (Turkey) confirmed the remarks made by the representative of Greece. The first meeting with the representatives of the United States had shown that there was not enough information or time available and that the consultations would have to continue. He supported the Greek request that the items be kept on the agenda of the CONTRACTING PARTIES.

Mr. VERNON (United States) confirmed the remarks of the two previous speakers regarding the lack of adequate information for the purpose of determining the effects of the subsidy on Greece and Turkey. He hoped it would be possible to find a solution in the course of the bilateral discussions and had no objection to the retention of the item on the agenda.

Mr. TONKIN (Australia) recalled that his Government was also interested in this matter and asked that the item be kept on the agenda.

The CONTRACTING PARTIES took note and agreed to retain this item on the agenda of the next session.

The meeting adjourned at 1:15 p.m.

