

GENERAL AGREEMENT ON TARIFFS AND TRADE

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CONTRACTING PARTIES
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REPORT OF THE INTERSESSIONAL WORKING PARTY ON THE DISPARITY OF EUROPEAN TARIFFS

1. The Working Party was established by a Resolution of the Contracting Parties adopted on 2 April 1951 at their Special Session at Torquay. The Contracting Parties left it to the Executive Secretary to convene the first meeting of the Working Party and to the Working Party to elect their own Chairman. The Resolution also invited the Governments of Austria, the Belgo-Luxembourg Economic Union, Denmark, France, Germany, Italy, the Netherlands, Norway, Sweden and the United States "to submit to the Working Party considered proposals for multilateral or other procedures designed to achieve on a non-discriminatory basis a reduction of the disparities in the tariffs of the European countries concerned...."
2. As no proposals had been submitted by these countries, the Executive Secretary, after consultation with the members of the Working Party, decided that no purpose would be served by convening a meeting in the period between the Special Session and the Sixth Session, but suggested that a meeting should be held early in the Sixth Session to formulate proposals for further action for submission to the Contracting Parties. Before this meeting was convened the French Delegation laid before the Contracting Parties a proposal aimed at a general lowering of customs tariffs (GATT/CP.6/23). This proposal was considered by the Contracting Parties at the Sixth and Seventh meetings of the Sixth Session and the Working Party was authorized to take this proposal into consideration.
3. When the Working Party met for the first time on 4 October, 1951, Dr. Botha, Delegate of the Union of South Africa, was elected Chairman.
4. At the first meeting of the Working Party the delegate for Denmark, who had been Chairman of the group which held informal discussion in Torquay on the subject of disparities in European tariff levels, gave an account of the further discussions which had taken place between some members of the group of 10 in the interval since the Special Session. The text of Mr. Sveinbjörnsson's statement is annexed to this Report. The representatives of the Benelux countries emphasized that the fact that the group of 10 had not as yet submitted considered proposals should not be construed as indicating any decrease of interest in the problem or as implying that it had become less urgent. They also disclosed that their Governments had circulated to the other members of the group of 10 proposals to serve as a basis for further discussion.

5. The Working Party felt that the introduction of the French proposal raised fresh problems regarding the manner in which the Working Party should organize its work. In the first place, it was clear that the consideration of the French proposal would require an extension both of the life of the Working Party and of its terms of reference. Moreover, the French plan had been presented only in broad outline and although it appeared that one of its necessary consequences could be a contribution towards the problem of disparities in European tariff levels, it was of much wider scope since it contemplated action by the Contracting Parties as a whole. Some members of the Working Party also pointed out that, before an examination of the French plan could be undertaken even on a technical level and without any commitments as to principle, a number of important points would have to be clarified. Thereafter their Governments would require a reasonable interval for preparatory study before embarking upon such a discussion. Moreover, the United Kingdom representative pointed out that the examination of the French plan would mean heavy work for specialized and scarce staff under difficult conditions; in consequence it might not be possible for the technical examination of the French plan to proceed as speedily as could have been wished.

6. A great deal of thought had therefore to be given to the further programme of the Working Party and in particular to the relationship between the discussion of the French plan and plans of more limited scope directed exclusively to the question of disparities in the European tariffs. In order to meet the procedural difficulties which arose in this connection the Benelux delegations stated that they would be prepared to agree to the Working Party giving priority to consideration of the French plan. The Benelux delegations made it clear that this agreement on their part was given on the understanding that it would in no way prejudice the Torquay decisions, that machinery would be set up for an expeditious discussion of the French proposal and that, during the Working Party's discussion of the French plan, they would be free to make suggestions aimed at finding a solution to the European problem within the broader scheme outlined by the French representatives. If, however, they found that such a solution could not be arrived at within a reasonable time, they reserved the right to revert to the procedure agreed at Torquay for dealing with the problem of European tariff disparities. The French delegation indicated its general agreement with these reservations, and stated that, if the plan proposed did not yield satisfactory results, the French Government was prepared to take part in discussions of the Benelux or other proposals prepared in response to the Torquay invitation.

7. Some members of the Working Party emphasized that, in their view, the first question to decide was the geographical scope of the French proposals, i.e. whether the plan was to be limited to the European countries together with the United States and Canada, or whether all the contracting parties were to take part. A decision on this point was, in their view, required before any decision could be taken as to the composition of the body which was to undertake the examination of the French plan. If the plan was in fact to apply to

all the contracting parties then it was, they felt, inappropriate that it should, even in the first instance, be considered by countries belonging only to one geographical group, or by any body other than the Working Party itself. If, on the other hand, it was the more highly industrialized countries which were likely to be those most directly affected by the French plan, then it could appropriately be considered in the first place by a sub-group composed only of these countries (e.g. the ten signatories of the Torquay Memorandum on European Tariff Disparities together with the United Kingdom and Canada) on the understanding that this sub-group would in due course report the results of its deliberations to the Working Party.

8. Quite apart from any question of the composition of the group to consider the French proposal, some members of the Working Party felt that they could not usefully begin to consider their own position in relation to the French proposal until its geographical scope had been defined. The United Kingdom representative, for example, pointed out that the attitude of his Government would necessarily depend to a considerable extent on whether all or only some of the other members of the preferential system of which the United Kingdom was a member were to be included in the scheme or not. The Working Party emphasised that under-developed countries would not be able to participate fully, if at all, in the scheme because of the importance to them of their tariffs as e.g. sources of revenue and as a means of protecting industries in the course of development. In extending the terms of reference of the Working Party to enable it to consider the French plan, the Contracting Parties should, therefore, ask the Working Party to consider the plan in the light of the disparities between the economic and social conditions of different countries.

The French delegation stressed that its proposal was aimed at all the countries participating in the General Agreement but that it would provide for extensive waivers in favour of underdeveloped countries.

The conditions in which the French proposal could apply to such countries would have to be examined at a later stage by the intersessional Working Party in the light of the results achieved by the sub-group.

9. It was finally agreed that, whatever the eventual decision on the geographical scope of the French plan, the countries referred to above, (i.e. the ten signatories of the Torquay memorandum and the United Kingdom and Canada) could undertake a study of the plan from the point of view of its application to themselves. The sub-group itself could determine the methods by which it would study the plan, it being understood that participation in the sub-group does not in any way imply a commitment to reach agreement on the principle of the French plan. It should then be left to the Working Party, after these countries had submitted a report to that body, to consider the French proposal in its more general aspect, including any question which may arise in respect of compensation from countries not participating in the plan. It was also agreed that the objective of the Working Party should be to elaborate as far as possible the technical aspects of the French plan with a view to facilitating its more thorough consideration by the Contracting Parties at their Seventh Session.

10. It should be pointed out that three of the countries which had signed the Torquay Memorandum (Austria, Germany and Norway) are not members of the Working Party. It was agreed that this need cause no difficulty, since a subsidiary body of the Working Party could be authorized to co-opt other contracting parties having a substantial interest in the French proposal. It is, however, for consideration by the Contracting Parties whether, in view of her general economic importance, it would not be desirable that Germany should formally be made a member of the Working Party.

11. The Working Party therefore recommends:

- (a) that its terms of reference be amended by the Contracting Parties and that the Contracting Parties adopt for this purpose the following resolutions:

"The CONTRACTING PARTIES

"HAVING received from the French delegation a proposal relating to the automatic lowering of tariff levels;

"EXTEND the terms of reference of the Intersessional Working Party to include the examination of any proposal concerning procedures likely to result in non-discriminatory reductions of tariff levels, in particular the proposal submitted by the French delegation on 19 September, 1951;

"DECIDE that the Intersessional Working Party shall report on the progress of its work to the Seventh Session of the Contracting Parties."

- (b) that the Contracting Parties approve of the programme of work outlined in paragraph 9;
- (c) that Germany be invited to become a member of the Working Party.

ANNEX I

Report by Mr. E. Sveinbjörnsson on the
progress of the work of the ten countries

Mr. Chairman,

You have kindly given me the floor to give a sort of report of what has happened in the so-called "Group of Ten" since we all left Torquay. The reason why you call on me is, I know, that I had the great honour to act as Chairman during the debates we had in Torquay.

Since Torquay no meeting of the Group as such has been held, but various consultations have taken place. I am not fully aware of all that has happened in the meantime. The report I can make can therefore not be complete. Others may have more or less to add to what I am reporting.

May I first recall what happened in Torquay.

Invited by the Benelux Delegations a number of countries met informally to discuss the problem of the levelling of European tariffs by multilateral negotiations.

These countries were: Austria, Belgium, Canada, Denmark, France, Germany, Italy, the Netherlands, Norway, Sweden, the United Kingdom and the United States.

During nearly two months we had some interesting debates. At the end a memorandum was signed by 10 countries, namely the representatives of the countries I mentioned, except Canada and the United Kingdom.

In the Memorandum the 10 countries said that "They agreed that there existed a problem of the disparity of European tariffs, and that a Working Party of the Contracting Parties should be created to make an attempt to deal with it."

We then had the special session of the Contracting Parties. We all know what happened.

The Working Party that meets to-day for the first time was set up, and the Contracting Parties invited the 10 countries to submit considered proposals. It was hoped that such proposals could have been before this Working Party in good time to enable the Working Party to meet before this Sixth Session, and make its report to the Contracting Parties.

This has, however, not been possible.

Does it mean that nothing has been done since we left Torquay? Does it mean that the 10 countries, that worked so closely together in Torquay and expressed so much interest in the matter, are not interested any longer? Or does it mean that they have given up all hope?

Such questions might be asked, and such questions should be answered.

As to the first question: Has nothing been done? I want to say the following:

I know that much thought has been given to this matter in some countries. This has been the case first of all in the Benelux-countries, and as we all know, they have circulated a document containing some in my opinion very useful thoughts as to how one could further proceed. I understand that this document has been circulated to all members of this Working Party, so that they can be informed of the existence of a considered proposal, considered by the Benelux group, and prepared by them for further consideration by the 10 countries that have been invited to consider this whole matter.

I also know that the Benelux-countries have had consultations with some other countries, with France, with Germany and with the three Scandinavian countries. Such consultations have taken the form of informal meetings. But never has there been a meeting of the whole group. It would not have been useful to have a big meeting before some necessary preparatory work had been done. I can say that the necessary preparatory work was held up by the fact that as we all know the political situation in France was for quite a time such that it seemed better to wait.

What I have just explained answers in fact my second question: Are the 10 countries not interested in the matter any longer? Certainly we are. We have been looking forward to starting work in the Group of Ten as soon as possible during our stay in Geneva. I don't think that the interest taken in this whole problem could be more clearly demonstrated than by the fact that France has put forward a plan, or rather has indicated some very interesting thoughts that might be helpful in the future work. I don't think that anybody should expect that the 10 countries will be able to reach agreement on a proposal that could now, I mean before the end of this session, come before this Working Party. What we can hope for is, that we - I mean the 10 countries or maybe some more if that is felt useful - can first of all establish the necessary machinery for more profound studies after having agreed on some sort of procedure and having pointed out what main items we will have first to discuss in principle.

With regard to my last question: Have we given up the hope? I think I can answer: We have not.

On the other hand we are all, I think, aware of the difficulties. But, Mr. Chairman, let me add this: I do think that we must all agree that we cannot go on discussing this for all future. Within a reasonable time we must at any rate reach a conclusion, either that something substantial can be achieved, or that - after all - that is not possible. We must know where we are - sooner or later we must be clear about whether there are possibilities or not.

When I say we, I am not speaking as former chairman of the 10 countries, but I think I can speak for the low-tariff countries. We fully recognize that we have not such bargaining power left that we can offer concessions to the high-tariff countries. But that should also not be necessary. Between the high-tariff countries themselves there are great possibilities.

But I would even go further and say; this is not a question of mere bargaining, of giving an apple to get a pear. This is a much more far reaching question. This is a question of cooperation beyond the frontiers with a common benefit in view, and some political understanding will be necessary and will be called upon.

It is quite appropriate to recall to what ultimate aim we have all bound ourselves. Having that in mind none of us should try to find excuses to explain why we regret, not to be able to live up to the high ideals; or - at the best - only can do so "as soon as possible" - which sounds better but very often means quite the same.

Mr. Chairman, these are some of the thoughts that we and others have had in our minds, and will have. I mention this, because I wanted to explain to the members of the Working Party, how we feel and how interested we are in this matter.

That fact that no Group-meeting has been held up to now should therefore not be interpreted in such a way that we have lost interest or hope, or both. On the contrary. We hope that the Working Party will continue also after this Session, and that the Working Party will agree that the most practical thing we could now do, was to ask the countries primarily interested to get together, form the necessary machinery, and start, jointly, their discussions of existing plans or any other plan or plans. In doing this, these countries should have in mind that the problem is perhaps one of the most important problems before GATT to-day. It is an economic as well as a political question, and one should not forget that also a negative result would have some interesting political aspects.

I certainly agree with Mr. Pflimlin when he said that "much remains to be done". - Let us then do it!

