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GENERAL AGREEMENT ON TARIFFS AND TRADE

Contracting Parties

Second Session.

# SUMMARY REPORT OF THE TWENTY-SECOND MEETING

Held at the Palais des Nations, Geneva
on September 9th, 1948 at 3 p.m.

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## REPORT OF WORKING PARTY No. 1 ON FINANCE (GATT/CP.2/35)

The meeting decided to examine consecutively the five items on which the Working Party was reporting in accordance with its terms of reference.

1. Financing of Secretariat Services.

The Working Party recommended:

a) that the ICITO should absorb the expenses of the Contracting Parties up to the end of the Second Session. These expenses to be accounted for separately, in case any questions should later arise regarding their attribution.

b) future expenses to be on a "pay-as-you-go" basis and to be divided between the Contracting Parties according to a classification established for the purpose and ranking the Contracting Parties in four categories as set out in the above-mentioned document. This was, the CHAIRMAN said, a compromise solution arrived at by the Working Party in order to reconcile the opposing views of those Delegations which demanded "pro capita" sharing and those which suggested payment according to a sliding scale.

Mr. SHACKLE (United Kingdom) said he accepted the compromise proposed on the understanding that it would not create a precedent.

The CHAIRMAN recalled paragraph I (d) which expressly stated that the division of expenses between Contracting Parties should in no way constitute a precedent for contributions by governments to international organizations.

Mr. STINEBOWER (United States) said the recommendations of the Working Party were the result of a carefully studied compromise and as such were acceptable to his Delegation although they would have preferred that expenses of the Contracting Parties be borne by the governments from the beginning of the second session.

Mr. AUGENTHALER (Czechoslovakia) thought the compromise formula for the sharing of expenses was not satisfactory; a proportionate classification according to each contracting party's participation in world trade being preferable, although a better classification would have been to take account of the amount of trade of each contracting party in hard currencies. He illustrated his point by showing a comparison of the charges as suggested by the Working Party and of the charges assessed proportionately to each Contracting party's participation in world trade.

Mr. STINEBOWER (United States) said the Contracting Parties were not an international organization, but sovereign countries which had voluntarily entered an agreement, consequently equal sharing would have been more logical. Moreover there were precedents, even in the case of organizations, where for small sums such as those confronting the Contracting Parties a "pro capita" basis had been chosen. He supported the proposals of the Working Party as constituting a practicable solution.

Mr. de VRIES (Netherlands) wished to express his support of the Working Party's recommendations.

Mr. ADARKAR (India) said the proposed allocation differed so much from his views on the matter that he could not accept it without authority from his Government. He proposed that the categories should bear the following percentages of the total: A: 50% - B: 23% - C: 22% - D: 5%.

Mr. SHACKLE (United Kingdom) admitted his country should pay more than others, but added that the question of the part of a country's trade in hard currencies was a factor of which account had to be taken and considered the division in categories the best solution.

Mr. PHILIP (France) supported the division in categories and suggested one slight alteration in the scale of classification.

The CHAIRMAN pointed out that numerous formulae had been experimented by the Working Party before it arrived at the solution which it found most satisfactory.

Mr. TONKIN (Australia) said that having been a member of the Working Party, he was convinced that whatever method of approach he adopted, a minimum contribution had first of all to be established, from which to work back to the contributions attributed to Contracting Parties placed higher on the scale.

Mr. NICOL (New Zealand) said his Government had hoped that the economic standing of the Contracting Parties would have been the basis of collection, but did not think the small sums involved warranted applying to the respective Governments for authorisation to approve them.

Mr. USMANI (Pakistan) although he agreed with the principle of a sliding scale, thought the division recommended

by the Working Party an over-simplification of the problem.

Mr. MOUBARAK (Lebanon) suggested a scale starting from minimum contributions of $/300.

Mr. AUGENTHALER (Czechoslovakia) asked whether the Working Party had examined the scale of contribution of the United Nations and said that, though he had not seen it, he would be prepared to accept it.

Mr. OFTEDAL (Norway) thought his country's share according to the proposals before them higher than it should be, but on the understanding that no precedent was being established, he supported the compromise proposal.

The CHAIRMAN, summing up the debate, said it was clear there was no agreement as yet on the division of charges and thought it might be best to take up the discussion again on the following Saturday. A decision by the Contracting Parties would have to be taken in order that the Executive Committee be enabled to come to a decision on the expenses of the present session of the Contracting Parties.

The meeting agreed to resume the discussion the following Saturday.

II. Revision of the Text of Rule 14 of the Rules of Procedure

The Working Party recommended that the text of Rule 14 of the Rules of Procedure be amended to read as follows:

> "The usual duties of a Secretariat shall, by agreement with the Interim Commission for the International Trade Organisation, be performed by the Executive Secretary of the Interim Commission on a reimbursable basis."

The CHAIRMAN proposed the provisional approval of the amendment, which, in case of approval by the Contracting Parties of the recommendation contained in paragraph I, could then be considered automatically accepted.

Mr. AUGENTHALER (Czechoslovakia) asked how Secretariat services would be charged.

The CHAIRMAN replied that the Contracting Parties would be asked to bear 10% of Secretariat expenses in periods between sessions, and 50% during sessions.

The amendment to Rule 14 of the Rules of Procedure was accepted, subject to the above proviso.

III. Reprint of the General Agreement on Tariffs and Trade.

In the course of a discussion in which the advisability of reprinting a consolidated text of volume I of the General Agreement, Mr. STINEBOWER (United States) said his Government intended to reprint it and that 2500 copies would be made available free of charge to Members of the United Nations and to the Contracting Parties. Additional copies would be charged at cost.

Mr. LECUYER (France) informed the Contracting Parties that the French Government also intended to have the volume printed and that copies would be made available to the Contracting Parties.

IV. Procedure for carrying out consultation between and for action by the Contracting Parties during periods between sessions.

The meeting decided to discuss the matter after having seen the report of Working Party 5, which Mr. SHACKLE (United Kingdom) pointed out, was also concerning itself with interim procedure.

V. Date of the Third Session of the Contracting Parties.

The meeting agreed to accept the date recommended by the Working Party, 8 April 1949, as the most convenient, in view of the concurrent tariff negotiations which would

start three days later, thus also affording an opportunity of examining any urgent point which might require settlement before the negotiations began.

THE STATUS OF THE AGREEMENTS AND PROTOCOLS.

Mr. STINEBOWER (United States) read a statement which had been circulated by the U.S. delegation to the representatives of the Contracting Parties and which has appeared as document GATT/CP.2/W/13.

He referred to the situation which had been created by the Resolution of the Cuban Ministry of Commerce of July 10th, 1948, governing the importation into Cuba of textiles. The Resolution, a copy of which was attached to document GATT/CP.2/W/13, created a registry of textile manufacturers and importers to whom alone imports of textiles into Cuba might be authorized. Registration was permitted only to those customarily and regularly engaged in the importation of textiles.

He outlined some of the elaborate formalities which the Resolution imposed on the importer in Cuba and to a certain extent to the exporter in the producing country and said the view of his Government was that the Resolution in question was in conflict with the provisions of Article XI of the General Agreement, prohibiting quantitative restrictions on imports. If it did not violate the letter of those provisions, it was certainly a nullification of the benefits which the General Agreement sought to provide, because the effect of the above regulations had been to put a stop to all imports of textiles.

The U.S. Government, in accordance with the provisions of Article XXIII had approached the Cuban Government for removal but had not up to the time received any reassuring reply and therefore asked the CONTRACTING PARTIES

1) to find that the effect of the measures taken under the Resolution of the Ministry of Commerce, was such as to nullify the provisions of the General Agreement:

2) to recommend to the Government to Cuba that the Resolution be withdrawn:

3) pending compliance by the Government of Cuba with such recommendation, to authorize the affected Contracting Parties to withhold compensatory concessions from the trade to Cuba.

MR. GUTIERREZ (Cuba) said that his Delegation had complied with all the requirements of procedure in order to discuss the matter which was on the Agenda of the present Session under: "The status of the Agreement and Protocols" (GATT/CP.2/4). The matter had been brought up at the First Session of the Contracting Parties and was referred to the Second Session. The latter asked the Cuban Delegation to negotiate with the interested Parties and report to Working Parties 2 and 5. The U.S.A. Delegation was approached but eventually replied that negotiations could only take place after the withdrawal of the Ministry of Commerce resolution to which Mr. Stinebower had referred. Such terms were unacceptable to the Cuban Government.

He expressed his surprise at the fact that a document presented by his Delegation on the previous day had not been circulated whereas Representatives of the Contracting Parties had received the paper containing

a statement of the American Delegation, which was not a "statement" but a request to the Contracting Parties under Article XXIII. This was a violation of the Rules of Procedure (Art. 22) in that document should be circulated 12 hours before a meeting. Furthermore, the matter was not on the Agenda.

He therefore did not feel in a position to discuss the matter raised by Mr. Stinebower and asked for priority for his proposal.

The CHAIRMAN informed Mr. GUTIERREZ that the statement had been circulated by the USA Delegation and that the request of the Cuban Government had not yet been circulated in English because the Spanish text had to be translated by the over-burdened Translation Services. In accordance with rule 22 of the Rules of Procedure the Chairman said Mr. Gutierrez was right in demanding time to examine the American statement.

As to the contention of Mr. Gutierrez that the matter was not on the Agenda, his ruling was that it came under item 7 "The Status of the Agreement and Protocols".

Mr. GUTIERREZ regretted he had to challenge the Chairman's ruling under rule 17 of the Rules of Procedure. His Delegation would welcome discussion of the matter, but could not accept the precedent that the American request for action under Article XXIII be discussed under such a general title as that of the item of the Agenda referred to by the Chairman. This was a serious test for the Contracting Parties who had to show great discretion and wisdom to avoid establishing dangerous precedents.

The meeting upheld the Chairman's ruling by 11 votes in favour and 3 against.

Mr. GUTIERREZ pointed out that he had also raised the question of priority for his proposal. He had no objection to discussing the U.S. proposal at the appropriate time but insisted on priority for his proposal.

Mr. STINEBOWER said his Delegation made no request for priority although he thought the two proposals were very closely related.

The CHAIRMAN granted priority to the Cuban proposal which would be the first item for discussion if the Contracting Parties did not intend to give previous consideration to the Report of Working Party No. 5, which had a bearing on part of the question.

Mr. PHILIP (France) thought that if the Cuban request had been presented at the First Session of the Contracting Parties before the adoption of the measures against which the U.S.A. were appealing, then the two proposals should be discussed separately.

Mr. CASSIERS (Belgium) said the two questions were in so far related as the proposal concerned two textile items and the American proposal, all textiles. The two proposals could therefore be discussed jointly only in connection with those two products.

Upon Mr. Stinebower's reassurance that he had no objection to the Cuban proposal being taken as the next item of business, the meeting rose at 7 p.m.