

GENERAL AGREEMENT ON
TARIFFS AND TRADE

RESTRICTED
LIMITED B
GATT/CP.4/SR.7
28 February 1950

ORIGINAL: ENGLISH

SUMMARY RECORD OF THE SEVENTH MEETING

Held at the Palais des Nations, Geneva
on Tuesday, 28th February, 1950, at 10 a.m.

Chairman: Hon L.D. WILGROSS (Canada)

Subject discussed: Proposal by the United Kingdom to re-validate the Geneva and Annecy Schedules. (GATT/CP.4/7).

Reverting to the proposal by the United Kingdom to re-validate the existing schedules, the CHAIRMAN outlined the discussions at the preceding meeting and invited further comments.

Mr. DESAI (India) said that he was in full agreement with the United Kingdom proposal, but he had to point out the peculiar difficulty confronting the Indian Government on this question. India was applying the Agreement only provisionally, until 1 January, 1951, and the Government had appointed a Fiscal Commission to examine the question of whether to continue to adhere to the Agreement after that date. Until the Commission had reported their findings in the middle of this year, the Government of India were unable to say whether it could accept the proposal to revalidate the Schedules. India was in full agreement with the principle of re-validation and would have no objection if the proposal were accepted in principle with the understanding that India could not take a final decision until later in the year.

Mr. STEYN (Union of South Africa) said that his Government had given careful consideration to the proposal, and was in agreement with it as far as the re-validation of the Geneva and Annecy Schedules was concerned. A distinct advantage of the proposed action lay in the firmness and stability it would lend to the Agreement, which would be in the interests of exporters and importers of all countries. His Government also believed that an early decision, taken well in advance of the Tariff Negotiations, would be desirable. The ways and means of carrying out the proposal, however, should be entrusted to a working party for detailed study.

Mr. LECUYER (France) said that the French delegation was in agreement with the proposal in principle, and the intentions of his Government had been made known to other contracting parties through diplomatic channels. However, the method of re-validating the Schedules as proposed by the United Kingdom was not entirely satisfactory. The re-validation should not be made obligatory before the opening of the negotiations; on the contrary its terms should be a subject of negotiation at Torquay. If it were decided now unconditionally to re-validate the existing Schedules the existing tariff rates could not be modified during the negotiations and the position of existing contracting parties would be made less advantageous than if it were not so decided. The prospective acceding governments would have little interest at stake, since the re-validated concessions would be enjoyed by them on account of the most-favoured-nation clauses in their commercial treaties in any case. The re-equipment and development of French industries in recent years had entirely changed the industrial situation of the country. Consequently, the antiquated tariff as it is now applied needed a thorough revision. This being the case, the French Government was not in a position to sign a document such as was prepared by the United Kingdom Government to commit itself to the unqualified re-validation of concessions which it had granted in the past. Since, however, it did not seem to be impossible to overcome the inherent legal difficulty and it might be possible to draw up an instrument which would be acceptable to all contracting parties the French delegation would agree to the suggestion to have the question considered by a working party.

Mr. GRADY (United States) also agreed that the complicated technical proposal should be studied at length by a working party. Most of the reciprocal trade agreements concluded by the United States Government since 1934 were for a duration of three years but upon expiration/^{were to be automatically extended;} the procedure was comparable to that of Article XXVIII of the Agreement. However, when extending the terms of such agreements it had been rare either for the United States or for the other party to resort to re-negotiation for the purpose of raising a rate in the agreed schedules. The United States Government never regarded Article XXVIII as intended to be used for the purpose for an upward general adjustment of tariffs,

and it would profoundly regret having to use the Torquay negotiations as an occasion for increasing its own tariff rates. However, if other contracting parties should seek to raise their tariffs under the terms of Article XXVIII, doubtless the pressure on the United States Government for a comparable revision in its tariff would be irresistible. The resort to Article XXVIII, if unavoidable, should be made only in very special circumstances and by mutual agreement. It would be damaging to the interests of all if a general rise in tariffs should result. Otherwise, the remaining provisions of the Article would lend momentum to a general upward movement of tariff rates; this snowball effect must be avoided at all costs. The United States delegation therefore supported the proposal in principle, but believed that the details should be considered by a working party, which should start on the principle that whereas the need for increasing a tariff rate should be recognized in special cases, wide use of the exception should be prevented.

Mr. SUETENS (Belgium) believed that the idea of re-validating the existing schedules for three years was a simple one, and therefore an attractive proposition. It was especially timely because the momentum gained in the past activities of the Contracting Parties was worth retaining. However, it raised questions of a serious nature, especially from the point of view of countries having moderate tariffs. The lowering of protective tariffs by countries having high tariff rates would not involve as heavy a sacrifice as the binding of existing tariffs by countries having low fiscal tariffs. Among the Benelux countries Belgium applied practically no quantitative restrictions, and a higher tariff was therefore widely demanded. At the time the tariff negotiations were conducted in 1947, customs tariffs had little significance. Now Belgium felt that whereas it had been commercially disarmed through the tariff concessions it had granted other countries, no actual compensation had been received by it as most other countries continued to apply quantitative restrictions. The repeated effort made by Belgium in international organizations for the lowering of excessive and prohibitive tariffs had not met with success. Since any action by his Government would also affect the other two members of the Benelux Customs Union his Government had arranged a meeting of the

three governments concerned, and he would report on the position of the Belgian Government by the end of the week after his return from that meeting.

Mr. CLARK (Australia) was in favour of the suggestion to refer the question to a working party, but pointed out that the Australian delegation would not be able to define its position at this Session. The Australian Government was at present engaged in a comprehensive examination of its tariff, and it would be unable until the beginning of the Torquay negotiations to indicate whether it could accept the revalidation of its schedule.

Mr. SVEINBJORNSSON (Denmark) said that instructions from his Government were awaited. Before receiving these he could say with confidence that the Government would be in full agreement with the United Kingdom proposal since it would be regrettable if the concessions of Geneva and Annecy were to be in danger by 1 January, 1951. Whether or not the results of the Annecy negotiations were totally satisfactory they should not be allowed to vanish. However, since a decision taken by the Contracting Parties before the Annecy acceding governments had become contracting parties would be binding on them without their participating in the decision, the Danish Government believe that the Contracting Parties should defer taking a decision. However, it was hoped that if the question were decided before the commencement of the Torquay negotiations, his Government would accept the proposal.

As the liberalization of trade progressed, tariffs were becoming more and more important. Among the countries in Europe, Denmark actually had the lowest tariff and it would not be possible for Denmark to lower its tariff further unless other countries could adjust their tariffs to bring them more in line with the case. A balance could be reached in more than one way and methods other than the readjustment of higher tariffs had to be kept in mind.

His delegation was in favour of the United Kingdom proposal, but would support it only with the understanding that a decision would be taken after Denmark had become a contracting party, and that the implementation of such a decision should be contingent upon good results being reached at Torquay, and understanding on tariff policies being obtained at the OEEC and other international organizations.

Mr. VAN BLANKENSTEIN (Netherlands) said that he agreed with what had been aptly expressed by the representative of Belgium on behalf of the Benelux countries. He would only add that the sentiment of the Danish representative on the question of balanced tariffs was shared by his delegation. The Netherlands, naturally, was also in favour of an equilibrium in tariffs, but, however, would be in favour only of an equilibrium established at a low level of tariffs.

Mr. DI NOLA (Italy) said that he had already declared in support of the United Kingdom proposal, and this for two reasons. First, it was believed indispensable to give the General Agreement the stability which was necessary if the whole machinery of the GATT was not to be in danger. Secondly, it would provide a basis for the Torquay negotiations. During the Annecy negotiations the then acceding governments based their considerations on the knowledge that the concessions in force for the existing contracting parties would be in effect for another year, a period, which, even though not very long, was long enough to be of some value to the acceding governments. If there should be no commitment on the part of the contracting parties to continue to apply their concessions for a definite period, it would be very difficult for the new acceding governments to consider their position, as the Torquay negotiations would not terminate until some time in 1951 when Article XXVIII of the Agreement would have already become operative. In default of such an assurance negotiations would need to be carried out on all items and an almost impossible situation would obtain. Mr. DI NOLA disagreed with the contention of the French representative that the contracting parties should not be bound by such a decision prior to the negotiations; the situation was in fact the same as that at Annecy where negotiations on a reciprocal basis had not been hampered by the fact that the contracting parties were bound to apply their past concessions.

Commenting on the remarks of the Danish representative, Mr. DI NOLA said that it was not always possible for all

countries to maintain the same level of tariffs since the industrial and agricultural development of different countries were at different stages and required different degrees of protection. Too drastic a revision of the existing tariffs should be avoided and only in exceptional cases a revision of existing tariff rates should be undertaken.

Mr. H. SNIE (Pakistan) said that his legislature had not even been informed of the provisional application of the Agreement. Nevertheless, the proposal by the United Kingdom, based upon logic and reason, should not be obstructed by domestic difficulties of one's own creation; indeed, a great deal could be said in favour of giving the schedules a further lease of life. However, the qualifying clause in the proposal enabling the necessary adjustments was essential, although apprehension at the prospect of a wide revision was also understandable. The qualification was necessary to convince national legislatures that too great commitments had not been made, as some governments might feel it necessary to readjust past concessions in order to bring about a better balance in their tariff structure. The recent changes in the values of currencies would inevitably have effects on the pattern of trade, which were as yet hard to forecast. The existing tariff of Pakistan was not of a protective nature, and the fast development of events seemed to indicate that a revision would soon be necessary. A release might therefore be requested in anticipation of such a need. The Pakistan Government, being grateful to the Contracting Parties for assistance in meeting their difficulties, would resort to the provisions of the Agreement concerning waivers and releases very sparingly, but could not allow the right of a government to seek alterations in its tariff, in order to bring about a better balance, to be put aside. It was, of course, recognized that changes on a large scale would impair the past achievements of the Contracting Parties.

Mr. KEMP (Canada) said that the Canadian delegation wished to support the United Kingdom proposal, and believed that the

revalidation of the existing schedules should be for a period co-terminous with the Torquay concessions. It was believed that a three year period would be appropriate in both cases. Canada had the same experience as the United States regarding its trade agreements and was of opinion the three years duration of the General Agreement, laid down in 1947, did not imply that the Agreement should be terminated in 1950. Three years had expired since those far-reaching negotiations took place, and it was reasonable that some of the tariff concessions might be in need of re-adjustment. Article XXVIII provided also that the contracting parties concerned should endeavour to maintain a general level of reciprocal and mutually advantageous concessions not less favourable to trade than that provided for in the present Agreement. Therefore, the revision, to be in accordance with the provisions of the Agreement, must not have the effect of worsening the present situation. Revalidation of the Schedules was desirable because it would mean substantial and definite concessions offered by the contracting parties at this juncture, which were valuable for the promotion of international trade. Secondly, a prolongation for the application of the concessions for a definite period would encourage new entrants to the group. Thirdly, it would be a convenience if the old Schedules were revalidated for a period co-terminous with the Torquay concessions, so as to reduce difficulties and complications to a minimum.

To the extent that readjustment might be necessary in a few cases, Mr. KEMP agreed that the right to re-negotiation should be retained, but chain-action like withdrawals of concessions should be limited. The discussions at the Contracting Parties should be followed up by a Working Party.

Mr. OFTEDAL (Norway) said that whereas it might be easy for governments which did not have to consult their legislatures on tariff matters to accept such a protocol, it would not be possible for Norway to undertake to re-validate its schedule without referring it to the Storting, which had approved the Agreement for a definite period of three years. If the protocol were accepted in its present form, the possibility of any bilateral negotiations between contracting parties on existing items would be ruled out.

In his opinion the proposed working party should be asked to examine the Geneva and Annecy schedules, as well as all the protocols of modifications and rectifications, to try to formulate a consolidated and unified agreement and schedules before revalidation so as to avoid the confusion that had been caused by the existence of a multitude of documents and schedules. If the existing schedules, as well as those resulting from the negotiations at Torquay, could be consolidated systematically and put into force for three years it would greatly simplify the matter.

Mr. NICOL (New Zealand) thought the representative of France appeared to have over-emphasized the difficulties of revalidation. New Zealand was in the same position as Australia, whose new government was engaged in considering the present tariff structure of the country. Nevertheless, his delegation was in a position to support the principle of revalidating the schedules for a period of three years, if without prejudice to the right of the contracting parties to re-negotiate on individual items in their schedules. Requests had been and might continue to be exchanged between New Zealand and other contracting parties. Negotiations on these requests were to take place at Torquay according to the established procedures. If these negotiations should prove to be unsuccessful, New Zealand would prefer that the status quo be maintained and did not anticipate that there would be any general increase in its tariff. Referring to the remarks made by the Danish representative, Mr. NICOL was of the opinion that account should be taken in the negotiations of paragraph 2(d) of Article 17 of the Havana Charter.

Discussion to be continued at the next Meeting.

The Meeting adjourned at 12.40 p.m.

