

GENERAL AGREEMENT ON
TARIFFS AND TRADE

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1 March 1950
ORIGINAL: ENGLISH

CONTRACTING PARTIES
Fourth Session

SUMMARY RECORD OF THE NINTH MEETING

Held at the Palais des Nations, Geneva,
on Wednesday, 1 March, 1950, at 2:30 p.m.

Chairman: Hon. L.D. WILGRESS (Canada)

- Subjects discussed:
1. Press Release on the Agenda
 2. Tariff Negotiations (other plans and arrangements) - continuation of the discussion.
 3. Application of Annex Schedule XIV (Norway) (GATT/CP.4/18).
 4. Consideration of Quantitative Restrictions on Imports and Exports (GATT/CP.4/13 and 14).

1. Press Release on the Agenda:

The CHAIRMAN recalled the decision made at the first meeting that the press release concerning the Agenda would require approval by the contracting parties. A revised draft had just been circulated to the delegations:

Mr. SCHMITT (New Zealand) felt that the comments on item 14 did not quite describe the item as finally approved and suggested that the reference to balance-of-payments might be deleted.

The CHAIRMAN suggested an alternative wording for two of the phrases, and this was approved.

2. "Tariff Negotiations (other Plans and Arrangements)" -
(Continuation of Discussion)

Mr. CASSIERS (Belgium) said that the fact that the German tariff would not be available until 15 May meant that it would be impossible to prepare the lists of requests on Germany in time to meet the date of 15 June specified for submission of Requests. Would it not be necessary then to take a decision to postpone this date of 15 June for the

submission of these lists. He suggested possibly 30 June or 15 July as a new date for requests on Germany; however, this should not alter the date of 15 June for the submission of lists by the German Federal Republic to other countries, since the former would have received the necessary material to prepare the requests in time. He did not think the principle of reciprocity would be lost by this procedure.

On behalf of the Delegate of Luxemburg, he wished to remind delegations that Luxemburg had no separate trade statistics, since there was a complete customs union with Belgium.

Mr. IMHOFF (German Federal Republic) replied that he would send the proposal of the Belgian Delegate to his Government. He personally saw no difficulty in acceding to it. He also requested prompt submission of tariffs and statistics by other participating governments since so far very few had been received.

Mr. OFTEDAL (Norway) wished to apologise for the fact that the Norwegian tariff was being submitted in Norwegian, and hoped that the translation being made by the Brussels Tariff Bureau would be ready before 15 June.

Mr. SUDJONO (Indonesia) requested the indulgence of the contracting parties if there were some delay in submitting material on the part of his Government. This would be sent as soon as possible.

Mr. COUILLARD (Canada) supported the request for the early dispatch of portions of the German tariff. He hoped all the necessary material from Canada had been received by the various countries, but if it had not he would take immediate steps to see that they did receive it. Concerning the exchange of lists of products, while he would not question the wisdom of those who had decided to forego this step, he did hope that not many countries would omit sending these lists as serious delays might occur later in the procedure as a result.

On the question of advance information on the possible scope of the tariff negotiations he proposed that the Secretariat ask all participating governments to inform them of the other governments with whom they proposed to negotiate. It would be useful for delegations to know with whom other countries were negotiating because of the principal supplier rule and the possibility of indirect benefits.

The CHAIRMAN, in commenting on the Canadian proposal said that most countries probably had a fairly clear idea of those with whom they were prepared to negotiate. The Secretariat might issue a questionnaire to the representatives of the participating governments now in Geneva, and send telegrams to those not present at this Session, and might also inquire what countries were delaying sending request lists before deciding with whom to negotiate owing to the failure to receive tariffs and statistics. The answers to the first question would be of assistance to the Secretariat in planning the Conference since there was a maximum of 703 negotiations possible.

It was agreed that this would be useful.

Mr. SHACKLE (United Kingdom) suggested that the questionnaire also include an inquiry as to which countries had requested a rebinding of the Geneva and Annecy Schedules. This would be useful to the working party on revalidation of these Schedules. The enquiry should be sent to both contracting parties and Annecy acceding governments.

This was agreed.

Mr. IMHOFF (German Federal Republic), referring to his statement of the day before, wished to give some explanation of the current revision of the German tariff. He explained that the present tariff dated from 1902 and, consequently, its nomenclature was not up-to-date. Furthermore, duties were almost entirely specific and did not correspond to the present economic situation. The fundamental changes in the German economy and in the international situation required a general revision of the tariff. The German Federal Republic in making this reform had decided to use the customs nomenclature agreed to by the European Customs Union Study Group. They also decided, except in a very few cases, to change from the system of specific to ad valorem duties. He wished to emphasize that the German Federal Government considered that countries participating in tariff negotiations should not improve their position for bargaining purposes before entering into such negotiations. However, in the case of the revision of the German tariff it was not possible to retain all the old duties and simply limit themselves to altering them from specific to ad valorem rates. Consequently, their revision was based on the principle that the general

incidence of duties should not be increased, even though certain duties might be increased. In no case would these result in prohibitive or excessive duties. He repeated that it did not seem possible to complete the work on the tariff before 15 May.

The CHAIRMAN considered that the discussion on plans and arrangements had been adequate; the matter would be kept on the Agenda and reverted to at the end of the Session. The request for the extension of the date for submission of requests on Germany could be dealt with at that time.

The CHAIRMAN pointed out that the success of the negotiations at Geneva and Annecy had largely been due to the spirit of the governments taking part therein. The 1950 negotiations would be even more extensive. They would be, in fact, the most ambitious multilateral tariff negotiations ever contemplated. It was, therefore, important to see that every effort was made to ensure their success. This meant that as many bilateral negotiations as possible should take place, and he considered that the only justification for not negotiating would be a finding that no basis for trade existed between the two countries. It was essential that the procedure set forth in the Memorandum on Tariff Negotiations (GATT/CP/43) should be complied with. Countries had already been made aware of the difficulties which arose through failure to distribute tariffs and trade statistics sufficiently in advance, and it was only possible to remedy this situation with the cooperation of all participating governments. Each country should not only see that it had fulfilled its own obligations in these matters, but should also ensure that it had received the necessary material from other countries. If a direct approach in the case of missing documents failed to result in their receipt, then the country should so inform the Secretariat, which would ^{endeavour to} remedy the matter. June 15 was the most important date as it was the date for the exchange of lists of requests. This must be adhered to in order for countries to have sufficient time to prepare their lists of offers before the beginning of the negotiations.

Mr. SVEINBJORNSSON (Denmark) wished to refer to the question he had raised the day before regarding the differential customs duty imposed in Germany on agricultural products. He had spoken to the German Delegate, who had said that a statement on this question would be made at today's meeting.

Mr. IMHOFF (German Federal Republic) said he would give a preliminary reply to this question. The system concerned only agricultural products, and was maintained in order to compensate for the higher prices of foreign agricultural products in comparison with internal prices. The proceeds of the tariff were used to subsidize domestic production. The system, however, had been planned only until 30 June, 1950, and would end with the issue of the new tariff if not before. The discriminatory character of the system had already been eliminated.

3. Item 7 of the Agenda -- application of Annex Schedule XIV (Norway). (Note by the Executive Secretary (GATT/CP.4/18))

The CHAIRMAN said that the only thing necessary at the present stage was to approve the procedure suggested in this paper. If this procedure were approved the Secretariat would ascertain from the Annex acceding governments whether there were any objections to the extension of time for Norway to give notification of intention to apply the concessions negotiated at Annex. If favourable replies were received the draft decision could be formally approved by the Contracting Parties.

This was agreed.

4. Consideration of Quantitative Restrictions on Imports and Exports (GATT/CP.4/13 and 14).

The CHAIRMAN recalled the developments leading to the adoption of this agenda item and drew attention to the proposal by the United States delegation to set up a working party and the draft terms of reference for such a working party presented by that delegation in GATT/CP.4/17. The proposed terms of reference had been agreed in advance.

Mr. GRADY (United States) made a statement which is attached as an annex to this summary record.

Mr. van BLANKENSTEIN (Netherlands) supported the proposal to set up a working party.

Mr. COUILLARD (Canada) supported the proposal that a working party be set up to give close study to the subject. The types of practices named in the United States proposal were often seen in bilateral negotiations, and whether or not they were legally in violation of the provisions of the Agreement,

they ran counter to its basic principles. The problem being world-wide and of grave importance called for a serious study by the Contracting Parties preferably by means of a working party.

Mr. CASSIERS (Belgium) also believed that the problem was too complicated and vast to be discussed only in plenary meeting. He therefore favoured the proposal of a working party. The subject was important to the world trade question, for the value of the General Agreement would be lost if contracting parties made no change in their protectionist policies.

Mr. OFTEDAL (Norway), referring to the United States memorandum on Export Restrictions, pointed out that the text of paragraph II(a) of Article XX, which was taken from the Geneva draft of the ITO Charter, was different from the corresponding provision as finally adopted at Havana. He recalled that the proposal in 1948 to replace all those provisions in the General Agreement which differed from the corresponding provisions in the Havana Charter, with the texts of the latter, had resulted only in a few changes. The supersession of Article XX by Article 45 of the Havana Charter had been considered unnecessary because the prevailing belief at that time was that the Havana Charter would be in force by January 1, 1951. It was evident at present that the presumption was unlikely to be fulfilled; the Norwegian Government was therefore contemplating making a proposal for the supersession of Article XX by the text of Article 45 of the Havana Charter.

Mr. van BLANKENSTEIN (Netherlands) wished to associate himself with the remarks of the Belgian representative. The Netherlands was anxious to abolish import restrictions but, deprived of its prewar overseas incomes, it could not hope to balance its account without increasing greatly its exports. At present, apart from the hindrance of the import restrictions applied by most countries, trade was still hampered by the high tariffs of certain countries, mostly much higher than that of the Benelux customs union, even after the tariff negotiations.

An early elimination of quantitative restrictions without regard to facts would probably worsen the present situation by deepening the causes of the disequilibrium. He supported, however, the proposal to refer the problem to a working party.

Mr. SCHMITT (New Zealand) wished to stress the complexity and delicacy of the problem on hand. There was, for instance, always the danger that an import restriction imposed for balance of payments reasons might be too severely condemned, because it had had the effect of causing the expansion of a domestic industry. To reprimand unduly a government for maintaining quantitative restrictions might induce it more readily to resort to a higher tariff, which was after all a more permanent means of protection. The working party therefore should avoid at this stage engaging in any detailed examination of individual cases. Frank discussion was more likely to take place if the subject discussed were "types" of resolutions, rather than particular instances.

Mr. GRADY (United States) said it was not impossible to clarify the instructions to the working party. If the economic set up of a country were known, it would not be difficult to detect the motivation behind a quantitative restriction imposed by its government. Formulae could be designed to distinguish doubtful, marginal cases, and a great deal would be revealed by careful study.

Mr. CASSIERS (Belgium) felt somewhat disappointed by the arguments which had been presented but had been convinced of the need to set up a working party to study the problem. In order to carry out the thorough examination envisaged in Article XII at the beginning of 1951, documentation should be prepared in advance, and this could be done by such a working party.

Mr. GRADY (United States), reverting to the problem of import restrictions, made a second statement which is also reproduced in the Annex.

Mr. PHILIP (France) enquired as to the real scope of the problem which the working party would be asked to deal with. It was not clear whether it had to deal with those complex cases in which restrictions were imposed for the protection of a certain industry whose existence was essential from the balance of payments point of view, or in which restrictions imposed for balance of payments reasons had resulted in a certain degree of protection.

None would wish to renounce the principle of the elimination of quantitative restrictions laid down at Geneva and Havana, but no more could it be denied that there had been a change in the state of mind since the early days of the post-war period. In 1947 when the General Agreement was drawn up it was generally believed that the disequilibrium in the international balance was merely the result of the disruption and devastation caused by the war, and that the relations between the economies of the world would soon be restored to the pre-war pattern. This belief had since proved to be an illusion, and indeed the disequilibrium in balance of payments was now generally regarded as a permanent problem. At least, one could not help wondering whether Europe could achieve the semblance of an equilibrium with the rest of the world by 1952.

It was doubtful whether such far-reaching problems could be dealt with by a working party or whether it could shun the problem and confine itself within the terms of reference.

The Agreement provided for restrictions to be imposed for certain purposes, and also prescribed certain conditions for their administration. It would be profitable to examine from time to time whether these rules were observed. If the main objectives of the GATT were not to be forgotten, inefficient industrialists should certainly not be allowed to take refuge behind restrictive trade barriers. Nor would the continued maintenance of restrictions help to restore international equilibrium; and if the disequilibrium regarded in 1947 as temporary had become more permanent, the cure lay only in concerted action and not in intensification of restrictions. The working party should therefore be given a broad mandate for it to engage in a thorough investigation. He therefore agreed with the representatives of the United States and Belgium that a thorough investigation could be made of the use and misuse of quantitative restrictions under the terms of the General Agreement.

In document SECRET/CP.45.Add.2 the United States stated that it considered the current disequilibrium in world trade and payments was neither permanent nor intractable. This had been the general belief three years ago, but the causes of the disequilibrium were now generally believed to be much deeper than had then been understood. In spite of the improvement in the European situation as a result of recent

efforts, there remained the fundamental unbalance in the form of a chronic dollar shortage. This was a collective problem which had to be solved jointly and it would be in nobody's interest to have still to face this grave problem in 1951.

The CHAIRMAN proposed adjourning discussion of this item until the next meeting.

After a discussion on the programme of work for the following week, the meeting adjourned at 6:10 p.m.

ANNEX

Two statements by Mr. Grady (United States)

1) Any comments which I can make with respect to this agenda item at this stage in our deliberations will necessarily be a little anticlimatic. For some days now we have nibbled away at the edges of the problem, so that by this time the general scope of the inquiry which the United States is suggesting must be reasonably clear to the contracting parties. Nevertheless, I should like to make some remarks in the form of a recapitulation and summary of what the United States has said with regard to these subjects in past meetings of this session.

Let me turn first to the problem of export restrictions. By and large, as you all know, the number and importance of quantitative restrictions on exports has declined in the past year, as world shortages have tended to disappear. In the process, however, it has become clear that a variety of export restriction practices are outliving the short supply situations and threaten to continue to be with us for some years to come. For example, here and there throughout the world, one still discerns countries which are using export restrictions on products desired by their trading partners, as a means of selling the products which those partners feel they cannot afford to buy. Here and there, too, one still finds countries using export restrictions as a bargaining device for acquiring products which other countries in their turn are reluctant to release. One finds, also, that a significant number of countries prohibit or drastically restrict the export of raw materials which cannot reasonably be said to be in scarce supply, in order to give a domestic fabricating industry an advantage over the fabricating industries of neighbouring countries. Finally, we have noted that a number of countries which are the predominant sources of a particular product in some area of the world are assisting their exporters to maintain minimum prices and to avoid competition among themselves, through export licensing procedures which call for minimum prices on the exports involved.

No one who understands the great compulsions and pressures to which every government is exposed can fail to view with sympathy and understanding the efforts on occasions on the part of governments to use their exports as a bargaining lever in international trade. In these uncertain times, when many countries of the world still lack some essential materials and are short of the wherewithal to acquire those essential materials, it is readily understandable that they will be tempted to turn to any bargaining weapon at hand to achieve their legitimate national aspirations or to meet internal political pressures. Yet, most countries will agree that as they take these unilateral measures to increase their share of the world's goods, their actions may very well be having the fundamental effect of shrinking the overall total of those goods.

It is the great virtue of the GATT that it lays down a set of rules designed to maintain an expanding volume of world trade and production. What the United States is in fact proposing is that we explore these export restrictions, which

we are convinced in the aggregate are having a dampening effect on production and world trade, to determine to what extent the provisions of the GATT circumscribe the kind of restrictions to which I have already referred and other restrictions like them. The United States hopes that there will emerge from such an exploration two concrete results. First, by examining the various types of export restrictions now being applied, we should hope to clarify their consistency or inconsistency with the GATT's provisions. Second, if the need for further information and further study becomes apparent, we should hope to obtain an instruction to the Secretariat to collect such further information on the subject. For these purposes, Mr. Chairman, I propose that a working party be set up.

For the moment this is all I shall have to say regarding the export restriction aspect of the agenda item. I should like to suggest, Mr. Chairman, that it may expedite the consideration of the agenda item by the Contracting Parties if we pause here for a discussion of this aspect. I would then propose to present the import restrictions problem after our preliminary discussion of the export problem was completed.

2) In turning to quantitative import restrictions, we deal with a problem which is very much more difficult from many points of view than the problem of export restrictions. The United States is satisfied that much of the protective incidence of quantitative restrictions on imports is an unavoidable by-product of the primary objective of meeting balance of payments difficulties. On the other hand, the United States is equally convinced that a substantial body of import restrictions exist which cannot fairly be said to be essential for balance of payments reasons and which are motivated primarily by protective considerations. And between these extremes, there is a great, grey area of restrictions in which the balance of payments motivation and the protective motivation are so thoroughly intermingled that I daresay the countries instituting the restrictions could not themselves say which was the controlling motivation.

What the United States is proposing to the Contracting Parties is that we should begin to define the black end of this spectrum of restrictions. The United States would hope that various types of import restrictions would be considered in relation to the GATT's provisions and objectives and that it might be possible, by way of interpretation or opinion, to provide guidance to the individual contracting parties on the meaning of the GATT in this highly difficult and contentious area.

At the same time, the United States would hope that other results of equal importance could be achieved in a discussion of quantitative import restrictions. First, we will have clarified among ourselves the form and objectives

which our January 1951 study of quantitative import restrictions will take. Second, we will have had the opportunity to reaffirm among ourselves the important principle that quantitative import restrictions should, in general, not be used for protective purposes. And, finally, we will have affirmed to the world the sincerity of our purpose of eliminating quantitative restrictions as fast as the balance of payments situation permits, with the end of returning to a situation in which multilateral trade and declining trade barriers characterize the commercial relations among the member countries.

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