

GENERAL AGREEMENT ON
TARIFFS AND TRADE

RESTRICTED
LIMITED C

GATT/CP.4/SR/10

CONTRACTING PARTIES

7 March 1950

ORIGINAL: ENGLISH

Fourth Session

SUMMARY RECORD OF THE TENTH MEETING

Held at the Palais des Nations, Geneva,
on Thursday, 2 March, 1950, at 10 a.m.

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

Subject discussed: Consideration of Quantitative Restrictions
on Imports and Exports (cont.)

Consideration of Quantitative Restrictions on Imports and
Exports (cont.). (GATT/CP.4/13, 14 and 17)

Mr. STEYN (South Africa) said his Delegation had followed with great interest the statement of the representative of the United States at the previous meeting, and asked whether it could be circulated for further study.

On the protective effect of import restrictions he wished to make a few remarks arising out of his own government's experience. When in 1948 South Africa had to resort to import control, their task was to elaborate a system of restrictions which would take due account of the fundamental requirement of the South African economy, which was that costs of production should be kept as low as possible. This consideration was of primary importance to the gold-mining industry. They were consequently at great pains to avoid as far as was possible any protection of domestic industries. It was in the light of their experience that he drew the attention of the Contracting Parties to the difficulties arising from the fact that an element of protection was naturally inherent in any form of import restrictions. For this reason, while not wishing to convey the impression that the subject should not be considered, he thought it useful to emphasise the need for great caution in an investigation of this uncharted territory.

With the agreement of Mr. GRADY (United States of America) the meeting agreed to the circulation of the United States' statement.

Mr. SHACKLE (United Kingdom) assured the meeting that his Delegation was fully prepared to co-operate in any action designed to ensure that the GATT was observed both in letter and spirit. Proof of their attitude was afforded by the

extremely full exposition submitted by his Government in reply to the questionnaire under Article XIV, Paragraph 1(g). He suggested, however, that contracting parties be very clear about the nature of their investigation which should be severely practical and objective and should not endeavour to extend or elaborate the letter of the Agreement. Some suggestions contained in the United States' statement directed towards interpretations of the Agreement, made him feel somewhat uneasy. The process of legislation within the framework of the Agreement had gone as far as possible, and they should now direct their efforts towards building up a body of case law, rather than to writing any further provisions into the Agreement, which might well re-open to discussion the whole text.

Mr. OFTEDAL (Norway) pointed out that quantitative restrictions were merely a tool of the economic policy of a country, which policy was determined by circumstances. In his country, as a result of the ravages of the war, their quantitative restrictions had been directed towards the furthering of investment, to a point where the inflow of consumer goods was reduced to a mere trickle. His Government fully agreed that quantitative restrictions should be abolished as soon as the balance of payments permitted, but the large gap between Norwegian imports and exports had only been bridged thanks to ERP aid, and, further, the progress of investment was now endangered by the liberalisation of trade prescribed by OEEC. If they expended their small buying power on consumer goods the rate of capitalisation would be slowed down and the goal of viability would become more distant.

He considered that liberalisation at too fast a pace might create similar effects in other countries. It might also engender unemployment, the avoidance of which was one of the objectives of the Charter and of the Agreement. He was doubtful whether the Working Party could make much progress in this most difficult problem, but he agreed that an exchange of views would be very useful.

Mr. JAYASURIYA (Ceylon) recalled that many delegates, in discussing the inclusion of this item in the Agenda, had felt that the investigation was not in accordance with the terms of the Agreement, and that the inclusion of this item had been agreed only on the condition that the investigation be limited to certain terms of reference. He said that the emphasis in the discussion at the previous meeting had been laid upon a liberal interpretation of these terms, but it was his understanding that

they should be strictly adhered to. No one would quarrel with the argument that multilateral trade was desirable; it was not, however, an end in itself, but a means to an end. The ultimate end of the Agreement was the raising of standards of living, full employment and a large and steadily growing volume of real income and effective demand, and the development and full use of the resources of the world. The disruptions caused by the war, the clash of ideologies, the birth of new nations and the consequent need for the development of the resources of the latter, were creating a new pattern. If this new pattern did not conform to the terms of the Agreement it was not the pattern which should be altered but the Agreement. They had looked upon Article XVIII as an instrument designed to promote economic development, whereas it now looked as though its operation were directed to act as a brake. He hoped the Working Party would bear in mind this new situation and its requirements.

Mr. ISBISTER (Canada) said that his Delegation was aware both of the need to investigate quantitative restrictions and of the danger that such investigation might go further than was intended. They were particularly interested in the ways and means of relaxing quantitative restrictions. This was a problem with which they had had to cope by facing the difficulties inherent in a relaxation of controls which had inevitably provided a measure of shelter to certain industries. He agreed with the representative of South Africa on the difficulty of separating the protective effect of measures designed to safeguard the balance of payments. He thought, however, that, by facing up to these difficulties, they had successfully overcome them.

Mr. WALKER (Australia) felt that the discussion showed that they were concerned with a very broad problem, and the particular problem before them was but one aspect. He recalled that several speakers had found it necessary to relate their present question to other questions which were under discussion by the Contracting Parties and by other bodies. In so far as Australia was concerned, they had tended to rely on measures other than quantitative restrictions to assist the development of the country, but, to safeguard their balance of payments, they had been forced to impose restrictions particularly on the import of goods from hard currency areas. It was inevitable that if import restrictions were applied with any severity local industry should attempt to supply the home market, and though he was fully prepared to discuss the problem, he did not think anything could be done about it. He considered that the duties of the Working

Party were to examine the problem in the light of the provisions of the Agreement, and to recommend action to make possible the review of the general disequilibrium of world trade as prescribed by Article XII, paragraph 4.

In connection with other recommendations which the Working Party might make he shared the view of others who thought the Working Party might go beyond its mandate. He said it was becoming clearer every day that the world was confronted with deep-rooted problems other than those arising out of a mere cyclical disturbance. There were the problems referred to by the representative of Ceylon and the situation of Western Europe which had been with them since the first world war. In Europe reparations and movements of gold had only temporarily stopped the gap which was widely opened by the second world war. The problem, therefore, went so far beyond the general provisions of the Agreement that any attempt on the part of the Working Party to extend its terms of reference should be resisted. Moreover, other bodies were engaged in general studies. In conclusion he felt that the terms of reference as drafted should only guide the Working Party in an endeavour to make more effective the code of practice set out in the Agreement.

Mr. DESAI (India) thought that a very difficult task had been set to the Working Party, whose terms of reference, he felt, had been stretched beyond the scope of the Agreement. It should, in his opinion, avoid the temptation to investigate problems which did not fall under the Agreement and limit itself to reviewing and analysing quantitative restrictions in a positive and constructive spirit, in the light of the Agreement and of their economic and social background. Then, in relation to Article XII, paragraph 4(b), it should endeavour to explain how such restrictions could be relaxed and mitigated. But above all it should bear in mind the fundamental aims of the General Agreement as set out in the preamble, and not investigate the rigid adherence of each measure to the letter of the articles. The Agreement should not come to be looked upon as a strait-jacket. Principles remained alive as long as they were adapted to changing circumstances and should never be allowed to lag behind the times.

Mr. GRADY (United States of America) wished to make it clear that he had had no intention, when he spoke at the previous meeting, to suggest any broadening of the Working Party's terms of reference; he had only wished to oppose restrictive interpretations. In reply to the representative of the United Kingdom

he wished to give the assurance that he did not propose to introduce any new provisions, but only to urge consideration of what should be done to improve the situation, and in reply to the representative of Australia, he agreed it was difficult to isolate the protective effects of measures taken to safeguard the balance of payments. This was certainly true of a number of measures, though not necessarily of all. Viewed over time, it might be found that some such measures had fulfilled their function and that their continuation served merely a protective purpose; for example, in the United States there were industries which would have been justified in claiming to be sheltered for promotional reasons a century ago, which strongly opposed today, in their full development, any relaxation of the protection they enjoyed. He also agreed with the representative of Australia that the Working Party should not be over-ambitious, but it should also avoid the danger of a limited and sterile discussion.

Mr. HASNIE (Pakistan) was gratified to find contracting parties generally agreed on considering quantitative restrictions as a necessary evil for some time to come. Against the terms of reference of the Working Party he had no complaints, and expressed his readiness to supply whatever information might be required. For the Working Party's guidance, he proposed to outline the policy of Pakistan, not with the purpose of defending their measures, but with the hope of receiving advice.

Quantitative restrictions were inherited by his country from India and were dictated, then to India, now to Pakistan, by their characteristic economy based on the export of a few essential commodities, the scarcity of which made it necessary to allocate quotas among buyers. As the situation improved, they had decided to make a **start** on the way to de-restriction by tackling cotton - a product which was in a better statistical position in world trade. This relaxation had resulted in large scale buying by a country - not a contracting party - at a level of prices so high that regular buyers were driven out of the market. He drew the attention of the Contracting Parties to the fact that the re-imposition of export quotas which they had thereby been compelled to institute, was most certainly not dictated by balance of payments or protectionist considerations. The measure actually ran counter to the financial interests of Pakistan and of its producers, but was taken to safeguard the interests of their regular customers. In the light of this experience they had not yet abolished all quantitative restrictions on exports.

Control of imports had also been relaxed, but the setback suffered by their exports following upon the recent devaluation of currencies had necessitated a review of policy in order to safeguard their balance of payments. Although they would not wish to waive their right to promote industry in the future, their present measures had no protective character. If they had had to resort to bilateral agreements, it was because they had found certain discriminatory price practices used against them with the aim of disrupting their economy. Moreover, it was obvious that, when faced with the withdrawal of other buyers from their market, they should agree to purchase from those buyers who remained faithful to them. He was sure these measures had an ephemeral character, and that when resorted to for the purpose of rescuing an economy from destruction, they should not be condemned on long-term grounds.

If the principles with which they all agreed, had not been strictly followed in the details of their policy, he pleaded that account be taken of their earnestness in pursuing the desirable ultimate objectives while struggling for survival.

The meeting adjourned at 12.50 p.m.

