

GENERAL AGREEMENT ON
TARIFFS AND TRADE

RESTRICTED
LIMITED C
GATT/CP.4/SR.12
9 March 1950
ORIGINAL: ENGLISH

CONTRACTING PARTIES
Fourth Session

SUMMARY RECORD OF THE TWELTH MEETING

Held at the Palais des Nations, Geneva, on
Monday, 6 March 1950, at 10.30 a.m.

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

- Subjects discussed:
1. Modification of Schedule XXII (Denmark)
 2. Tariff Levels - Statement by the Netherlands Delegation.

1. Modification of Schedule XXII (Denmark) - (GATT/CP/51)

The CHAIRMAN said that the Executive Secretary wished to explain the reason for the period of 15 days provided for in the last paragraph of this document.

The EXECUTIVE SECRETARY explained that normally delegations were given 30 days to notify objections to proposed modifications. The period of 15 days had been provided for in this instance at the request of the Danish Delegation who had explained that Denmark wished to place the Schedule before its Parliament during the middle of March, and if the normal period of 30 days were adhered to it would not be possible to present the Schedule in the form it would finally have if the modification were approved.

Mr. SVEINBJORNSSON (Denmark) hoped that the Contracting Parties would be able to accept the brief period of time and explained the modification contained in the document. This change had been agreed to by Norway, the country with which it was originally negotiated.

Mr. OFTEDAL (Norway) supported the request of the Danish Delegation and hoped that the period of 15 days would be agreed to.

The CHAIRMAN said that if this change were approved the two modifications proposed would be referred to the Working Party on Rectifications and Modifications at the end of the 15-day period.

This was agreed

2. Tariff Levels - Statement by the Netherlands Delegation

The CHAIRMAN explained that the Netherlands delegate had requested to be allowed to make a general statement on tariffs; while the statement did not relate specifically to any one item on the Agenda, it concerned several questions being discussed at this Session and yet was of too broad a nature to be referred to any one of the Working Parties. Consequently he was sure that the contracting parties would wish to hear this statement in a full meeting.

Mr. SPIERENBURG (Netherlands) stated that he felt it important to enquire whether the purposes of the General Agreement as set forth in the Preamble were in fact being achieved. It had been agreed both at the meetings which drew up the General Agreement and at earlier meetings of the Contracting Parties that quantitative restrictions were the principal deterrents to commerce. He did not intend to question the Articles of the Agreement concerning quantitative restrictions and wished to emphasize that his country intended to continue complying with them. However, these Articles had been drawn up two years ago and it was necessary now, in the light of the events of the past two years, to look into the development and practice of these principles. Several countries in Europe had recently liberalized trade among themselves in so far as quantitative restrictions were concerned. The Netherlands had taken part in this liberalization and 60% of its commerce with other European countries was affected. His country had expected that this step would be to the general advantage of countries in Europe and would result in a greater freedom of trade. This, however, had not proved to be entirely the case, since there were certain countries which with the relaxation of quantitative restrictions brought into operation their tariff which was in certain cases more restrictive even than the quantitative restrictions had been. It might be argued that this was not a matter for complaint since negotiations had taken place in 1947 with regard to the tariffs of all of these countries. However, at the time of these negotiations tariffs had been relatively unimportant since ~~quantitative restrictions were so widely in effect.~~ Furthermore

negotiations were based upon the rule that countries with high tariffs should accept the binding of a low tariff as a concession in itself and make substantial reductions in return for such a binding, in order to achieve a greater measure of balance between the various tariffs. That aim had, however, not been completely achieved at the Geneva negotiations and consequently it could not be said that the ultimate goal of the General Agreement was being reached.

This meant that the low tariff countries were in an unfavourable and dangerous position for the future. Quantitative restrictions under the General Agreement could be applied in general only for balance of payments reasons and he felt that the time could now be seen when multilateral payments agreements would be possible and these reasons for applying quantitative restrictions consequently diminished. However, low tariff countries would find themselves in the position that owing to high tariffs elsewhere they would be unable to find markets for their exports with consequent ill effects upon their balances of payments.

Secondly their industries were in an unfavourable position vis-à-vis the industries of high tariff countries since no competition within the markets of the latter would be possible, whereas high tariff countries would find no barrier to competing in the domestic markets of low tariff countries. The Benelux countries, with a general average of duties of 5.6% certainly had one of the lowest tariffs in Europe. They wished to compete in international commerce, but the competition must be on an equal basis.

Thirdly in order to reach the goal of a wide market for goods it was necessary to remove not only quantitative restrictions but other barriers to the free movement of goods.

To sum up, he felt that equality of access to the internal markets of countries between high and low tariff countries was an important problem requiring examination.

Mr. Spierenburg wished to set forth the position of the low tariff countries as it would be at the start of the Torquay negotiations. Unfortunately it could not be expected

that countries with even a very high tariff would be willing to make concessions without receiving concessions in return. This, however, meant an impossible situation for the countries with a low tariff. While not expecting that tariffs could be brought to a level of entire equality he did feel that such duties as were prohibitively high and of a more restrictive character even than quantitative restrictions should be brought to a more reasonable level without compensation. If this were not done and access to domestic markets of other countries were found to be impossible, he considered that his country would have the right to maintain or establish the necessary restrictions to protect the interests threatened in this way. These measures should not be in force longer than the period of the existing prejudice and should be subject to consultations with the Contracting Parties.

Mr. SVEINBJORNSSON (Denmark) supported the statement of the Netherlands delegate. He had drawn attention at a previous meeting to the close connection between the problem of liberalization of trade and the problem of tariffs. As liberalization increased in Europe the question of tariffs became of greater importance and on behalf of his own country, which also had a very low tariff, he would have reservations on the question of liberalization. Unless at the Torquay negotiations contracting parties with very high tariffs agreed to reduce them more substantially than they had done so hitherto his country would be unable to proceed further in the liberalization of its trade.

Mr. CASSIERS (Belgium) wished to clarify the position of low tariff countries vis-à-vis the high tariffs referred to by the Netherlands delegate and the proposal for revalidation of the schedules. He felt that some countries supporting this latter proposal considered an assurance of continued stability of the tariffs more essential than their reduction and, consequently, that renegotiations should be the exception rather than the rule. His country was also in favour of the idea of stability but not one which excluded a policy of reduction of tariffs and he did not consider that it was the intention of the General Agreement that there should be one original negotiation at which a supposed equilibrium would be arrived at, followed by a stabilization of that equilibrium

and little possibility of improvement. Rather, it was his understanding that the rates of duty were to be reviewed periodically in order that they might be progressively reduced. There was still a wide disparity between the tariffs of various countries, and those with low tariffs found themselves in the position of being unable to reduce their tariffs any further and, as a consequence, with little expectation of receiving concessions from countries with high tariffs. What therefore could these countries expect to gain at Torquay unless high tariff countries were willing to make substantial reductions without receiving compensation in the form of similar reductions?

Since the Contracting Parties had no coercive powers to force high tariff countries to reduce their duties, Mr. Cassiers thought that a resolution of the Contracting Parties should be drawn up emphasizing the rule of the General Agreement that binding of a low tariff was the equivalent of a concession and should be paid for by substantial concessions on the part of high tariff countries and, furthermore, that it should be an aim of the tariff negotiations to reach a greater equilibrium between the tariff levels of the various countries.

He suggested that comparisons with the negotiations of 1947 and the fact that, at that time, low tariff countries had made concessions in the form of reductions of duties in exchange for reductions in the higher tariffs, were no longer applicable, and he also wished to remind delegations that at the Geneva negotiations constant reference was made to the fact that these were the first steps and that the concessions not made or the duties not reduced would be reviewed in the light of changed circumstances. Certainly his country had not envisaged that the tariff agreements of Geneva and Annecy would continue unchanged with a prolongation every three years.

Mr. DUHR (Luxembourg) supported the delegates of Belgium and the Netherlands.

Mr. TUOMINEN (Finland) stated the case of the countries which were not members of the OEEC and said that if the OEEC countries found the situation a difficult one it was even more so for countries which had not the advantages of that organization.

These had to suffer both high tariffs and quantitative restrictions and, even if the former were reduced, would be unable to compete in internal markets on account of the latter.

Mr. JONSSON (Sweden) supported the delegates of the Netherlands and Belgium and said that his government hoped that the Contracting Parties would take this whole problem into consideration.

Mr. OFTEDAL (Norway) agreed in general with the statement of Mr. Spierenburg, although there were certain points of detail he would question. He said that at London and Geneva it had been generally realized that the time was not appropriate for tariff negotiations. It was a time of shortages and a sellers' market and consequently industrialists in the various countries took very little interest in the negotiations, a fact which probably made them easier and more rapidly concluded. He sympathized with the low tariff countries which were now beginning to feel the real impact of differences in levels of tariffs. It seemed to him that this problem was so important that it should be dealt with in a working party, otherwise it might well prolong the Torquay negotiations. In any case it was one that required careful consideration either in this session or the next, and preferably in this one.

Mr. SHACKLE (United Kingdom) said he would not enter into the substance of the discussion but he did wish to clarify certain points regarding the United Kingdom proposal for the revalidation of the Schedules. He felt that this proposal was not quite as directly relevant to the issues raised in this meeting as appeared from the discussion. The United Kingdom proposal was not intended to diminish the right of any countries to re-negotiate but was merely intended to speed up the procedure so that the renegotiations under Article XXVIII could be part of the Torquay negotiations and that once these had been incorporated into a general schedule the right to invoke the use of Article XXVIII would be renounced for the duration of the validity of the Torquay schedules. He thought it was necessary that the global results

of the Torquay negotiations should be made firm for another period of three years, otherwise countries would find themselves in a difficult and insecure situation. Furthermore any widespread use of Article XXVIII might result in a general unravelling of concessions. He did not think that the suggestion made by his Government for revalidation of the Schedules made the position of the Benelux and Scandinavian countries any more difficult. He also wished to emphasize that it was certainly not intended to freeze the results of tariff negotiations at any particular level. His government wished for a maximum of stability but not rigidity. He hoped therefore that this problem would not be sent to the Working Party on the Revalidation of the Schedules.

Mr. Shackle also expressed the hope that any measures which the Benelux countries might decide to adopt to compensate for their difficulties would not be such as to seriously weaken the structure of the tariff schedules which were being built up.

Mr. CASSIERS (Belgium) considered that the suggestion that an adjustment of the balance of tariff levels be made under the provisions of Article XXVIII during the Torquay negotiations would lead to the general increase of some tariffs, which was scarcely desirable. This Article did not provide for a general review of the existing balance but only for a cessation of application of concessions. He agreed that the United Kingdom proposal for revalidation was a very reasonable one, but he hoped that a solution to the problem of the low-tariff countries would be found other than the negative solution of raising tariffs, but something approaching the suggestion he had previously made that any further binding of low tariffs required as compensation a substantial reduction of high ones.

Mr. SVEINBJORNSSON (Denmark) said that he considered the United Kingdom proposal to rebind the present Schedules as a minimum and agreed with the general intention of that proposal. If, however, no satisfactory progress is made in the field of lowering tariffs he would have to reserve his position.

Mr. HASNIE (Pakistan) wished to comment upon the general question of lowering tariffs although at the beginning of the discussion he had been under the impression that the discussion applied only to intra-European trade. He too agreed that the

principle of lowering tariffs was a very laudable one but he did not think it could be achieved any more rapidly than originally envisaged. A mere study of the incidence of the tariff was not enough. A study of the burden of the tariff involved considerations such as its relation to internal taxes, examination of the budgetary position of the country and also whether the tariff were a "scientific" tariff. The fact that most countries had "scientific" tariffs, which implied low tariffs for raw materials and high tariffs for manufactured goods, was the reason why some countries were high and some low tariff countries. Naturally a country which imported almost entirely raw materials would have a lower tariff than one importing chiefly manufactured goods, and by the same token a tariff with a very low incidence of duty could nevertheless be a high tariff for the country involved, and vice-versa.

If this question were taken up in a working party he would ask that the working party or the secretariat make an intensive study of the tariff policy of various countries, with all the necessary ramifications.

The CHAIRMAN said that the Netherlands representative had raised important questions fundamental to the Agreement. It was clear that many delegates had not taken part in the discussions because of lack of time to study the matter, and that further discussion would be necessary before the question of setting up a working party could be considered. The statement was chiefly concerned with the tariff negotiations to take place at Torquay. He hoped that in later discussions representatives would direct their attention to the best manner in which to give effect to paragraph 1 (d), section III, of the Memorandum on Tariff Negotiations where it was stated that the binding of a low tariff was an equivalent concession to the reduction of a high one. This was one of the cardinal principles governing the tariff negotiations and there had never been an adequate discussion in the Contracting Parties of the methods by which this principle could best be carried out. Certainly the questions raised by the Netherlands delegate went far beyond the question of revalidation. He suggested that discussion on this question be adjourned for a week.

Mr. WALKER (Australia) and Mr. SHACKLE (United Kingdom) supported this suggestion, the latter because he thought it advisable to have a discussion as early as possible since, if a working party were found necessary, considerable time would be needed and also because the question affected other discussions of the Contracting Parties and the various working parties.

This was agreed.

The meeting adjourned at 1 p.m.

