

GENERAL AGREEMENT ON
TARIFFS AND TRADE

RESTRICTED
LIMITED B
GATT/CP.4/SR.20
3 April 1950
ORIGINAL:ENGLISH

CONTRACTING PARTIES
Fourth Session

SUMMARY RECORD OF THE TWENTIETH MEETING

Held at the Palais des Nations, Geneva,
on Monday, April 3rd 1950 at 10 a.m.

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

- Subjects discussed:
1. Request for a Temporary Modification in Second Item 771 of Part I of Schedule XX.
 2. Report of Working Party "D" on Quantitative Restrictions.
 3. Report of Working Party "C" on Participation of Switzerland in 1950 Tariff Negotiations.
 4. Review of Brazilian Internal Taxes.

1. Request for Temporary Modification in Second Item 771 of Part I of Schedule XX - (GATT/CP/56 and Add.1)

Mr. EVANS (United States) explained the nature of the request and emphasized certain points in the Statement circulated by his delegation (GATT/CP/56). It was proposed that the decision contained in document GATT/CP/56/Add.1 be adopted by the Contracting Parties.

Mr. ISBISTER (Canada) confirmed the statement made by Mr. Evans to the effect that his Government, the only contracting party which would be materially affected by the proposed waiver, had been consulted and had agreed to its adoption.

In accordance with the provisions of Article XXV:5 (a), a vote was taken and the decision was approved by 20 votes to 0.

Mr. EVANS (United States), on behalf of his Government, thanked those contracting parties which took part in the decision for their sympathetic consideration, and in particular to the Government of Canada for agreeing to the waiver.

2. Report of Working Party "D" on Quantitative Restrictions (GATT/CP.4/33)

Dr. WALKER (Australia), Chairman of Working Party "D", introduced the report and drew attention to the more important points therein. With reference to paragraph 14 of the Report,

he particularly pointed out that there were one or two cases discussed by the Working Party which were not mentioned specifically in the Report, the reason being that the discussion of these particular cases was not strictly within the scope of the mandate of the Working Party. For example, the question arose whether it was permissible for a Government to stipulate that exporters of a certain commodity must purchase that commodity from local producers at a price corresponding to the price prevailing on the world market. This was not remarked upon in the Report as it was thought that such a regulation would be a normal operation within the terms of the General Agreement.

The CHAIRMAN said that the doubt expressed at the beginning of the Session on the wisdom of discussing this item had been dispelled by the outcome of the Working Party's deliberations. This useful survey might be regarded as one of the most constructive steps taken by the Contracting Parties; the Working Party had undoubtedly laid a sound foundation for the future consideration of quantitative restrictions.

Mr. CASSIERS (Belgium) agreed that the discussion had proved to be extremely fruitful. In a world in which trade barriers and restrictions were encountered everywhere, it was not surprising that the protectionist mentality should be gaining ground even in those countries which, by the nature of their trade relations, had every reason to be free-trade minded. If the Contracting Parties had any faith in the principle of multilateral trade the recommendations embodied in paragraph 25 of the Report would seem to be the minimum they could adopt to that end. However, he would point out that the language of paragraph 4 (a) and paragraph 22 seemed to stress the exceptions to the rule of unrestricted trade rather than to the rule itself. Referring to paragraph 24, Mr. CASSIERS concluded that, for the full implementation of the provisions of the Agreement, contracting parties should not hesitate to resort to the procedures laid down in the Agreement.

There being no further general comments on the Report, this was considered section by section. In considering Section III, Mr. RODRIGUES (Chile) said that, although he was not opposed to the recommendation embodied in paragraph 25 (i), he would have to abstain from accepting it in the absence of positive instructions from his Government. He would, however, inform the Secretariat of the views of his Government on this Report within a few days.

The CHAIRMAN said that due note would be taken of the remarks made by the Chilean representative.

The Report as a whole was approved.

Mr. KOELMYER (Ceylon) said that he would take the opportunity to make a reference which was directly related to the subject under discussion but which had not been studied by the Working Party owing to its restricted terms of reference. Members of the OEEC, in their recent efforts to liberalize international trade, had based their considerations not only on the relative "softness" or "hardness" of currencies, but also on the political relationships of countries. As a result countries which were of the same currency group but outside membership of the OEEC were discriminated against. It was not the intention of the Ceylon delegation to raise the issue or press for its discussion at this session, but it was thought useful to bring the matter to the attention of the contracting parties.

Mr. BURGESS (United Kingdom) was confident that all contracting parties must be sympathetic to the statement made by the Ceylon representative, but he was equally certain that it would^{be}/the last wish of the OEEC countries to create difficulties for countries not belonging to that group.

Dr. WALKER (Australia) said that his delegation, though not intending to raise the question, was also obliged to study closely the developments which were taking place in this regard. Further action by his Government would depend on the manner in which the course of events affected the interests of Australia. He was satisfied with the attitude of contracting parties which had expressed their willingness to give due regard to matters affecting Australia's trade.

Mr. SCHMITT (New Zealand) said that the concern expressed by the Ceylon representative was shared by his Government, but in preliminary discussions with certain European countries his Government had been satisfied that there was no intention on the part of these Governments to neglect the principle of multilateral trade.

Mr. VERNON (United States) said that his Delegation, as the sponsor of this item on the agenda, was fully appreciative of the spirit of the contracting parties which had completed their task so successfully. The contrast between the initial hesitations in considering this subject, which were understandably caused by the enormity of the task, and the satisfactory results, could not but be regarded as a great tribute to the Working Party, and especially to its Chairman.

The CHAIRMAN said that due note would be taken of the statement made by the representative of Ceylon together with the ensuing discussion.

3. Report of Working Party "C" on Participation of Switzerland in the 1950 Tariff Negotiations - (GATT/CP.4/40)

Having expressed his regret that Mr. Suetens, the Chairman of the Working Party, was unable to attend the meeting to present the report, the CHAIRMAN introduced the document and outlined its contents, drawing particular attention to paragraph 7, which embodied the conclusions reached by the Working Party.

Mr. BURGESS (United Kingdom) said that the United Kingdom had always been in favour of giving full consideration to the Swiss question. It was therefore a cause for regret that, after a thorough study, the Working Party had been once more unable to resolve the problem. While neither the Contracting Parties nor the Swiss government had been able to propose a solution which would meet, without impairment to the spirit of the Agreement, that Government's apprehensions as to certain of the provisions of the Agreement, it by no means meant that the door had been closed to Switzerland's participation. The Contracting Parties would no doubt be pleased to welcome the adherence of that Government to the Agreement if the latter could find a way consistent with the provisions of the GATT, to meet the difficulties it envisaged.

Mr. EVANS (United States) said that the United States was no less anxious than the United Kingdom to see Switzerland admitted into the Agreement. The present failure to find a solution was by no means an indication that the participation of Switzerland in the Agreement was impossible or that the Swiss problem was insoluble under the terms of the General Agreement. It had been the conviction of the Working Party that the difficulties encountered by Switzerland could, in fact, be dealt with through certain provisions within the spirit and framework of the Agreement.

Mr. LECUYER (France) agreed with the representatives of the United Kingdom and the United States. Ever since the time of the Havana Conference, when M. Philip of the French Delegation had presided over the sub-committee on the Swiss question, the hope had always been entertained by France that a solution could be found. The French Government, on account of its special relationship with Switzerland, would have been willing to accept

exceptional solutions but had hesitated because of the harm which might be done to the basic principles of the Agreement. He sincerely hoped that a solution would eventually be found for the participation by Switzerland in the work of either the General Agreement or the I.T.O.

Mr. CASSIERS (Belgium) said that he shared the hope that the conclusions of the Working Party Report would be acceptable to Switzerland. His own Government, for one, would welcome the accession of Switzerland if that country could reconsider its position in the light of the Working Party report.

The report was considered and approved paragraph by paragraph, and then was adopted as a whole.

The CHAIRMAN requested the representative of Belgium to convey the thanks of the meeting to M. SUETENS for the comprehensive report his Working Party had submitted.

The EXECUTIVE SECRETARY, upon the invitation of the Chairman, reported on his consultations with Mr. STUCKI. The Minister had expressed his disappointment at the conclusions of the Report which, in his opinion, denied the special position of Switzerland which had been recognized at Havana. He could not accept the implication that the difficulties confronting other contracting parties and the risks they ran in accepting the obligations of the Agreement were comparable to those which existed in the case of Switzerland. Consequently, if the report were made public or its contents extensively published the Swiss Government would have to make a vigorous reply. On his part Mr. STUCKI would prefer that a brief communication be made to the press to the effect that the question had been examined and that no solution had been reached. The EXECUTIVE SECRETARY had undertaken to convey Mr. Stucki's feelings to the Contracting Parties and to communicate to him their decision.

The CHAIRMAN proposed that a brief communiqué be issued to the press along the lines suggested by Mr. Stucki, but that the conclusions of the report should be communicated in full to the Swiss Government.

Mr. EVANS (United States) supported these proposals, believing that a press release in this case should be worded as inoffensively as possible so as to create the least obstacle to Switzerland's adherence. Certain passages of the Report,

though appropriate in their present places, might be misunderstood if quoted by the press. Above all, it should be made clear in the communiqué that the Contracting Parties by no means rejected Switzerland's application for accession, but had merely failed to find a solution to meet certain conditions proposed by that country. Mr. EVANS also proposed that this particular Report should not be derestricted in accordance with the usual procedure.

Mr. LECUYER (France) pointed out that the Working Party, being conversant with past deliberations on the subject, had not considered it necessary to bring out in its Report in full detail the difficulties envisaged by Switzerland or the background of the problem. This being so, it was undesirable to publish the report in its present form. He therefore supported the Chairman's proposals.

Mr. BURGESS (United Kingdom), agreeing with the United States representative that the Contracting Parties should avoid creating any obstacle to the future participation by Switzerland in the General Agreement, was also in favour of the proposal that a short announcement should be made to the public. The report itself should remain restricted until a time when the Contracting Parties should decide otherwise.

It was agreed:

(1) that a short communiqué stating that the questions had received consideration by the Contracting Parties without reaching a solution, be issued to the press;

(2) that in the reply to the Government of Switzerland the contents of the Report should be summarized and a copy of the Report as well as the summary record of the present meeting should be enclosed; and

(3) that document GATT/CP.4/40 should remain restricted until a decision was made by Contracting Parties to the contrary.

4. Review of Brazilian Internal Taxes (GATT/CP.3/42, paragraph 19)

The CHAIRMAN recalled the proceedings of the meeting on 14th March 1950 at which the Brazilian representative, being unable to supply information on the measures required to be taken by his Government, had undertaken to obtain such information and to inform the Contracting Parties before the close of the session.

Mr. TELLES RIBEIRO (Brazil) thanked the Contracting Parties for agreeing to the extension of time for submission of the required information. He explained that considerable delay had been caused in the first place by the consultations between his Government and the delegation regarding the precise requirements laid down in the Report of Working Party 7 of the Third Session. The Brazilian Government, intending to show good faith, had attempted to secure the modifications of the laws by executive measures, but had been unable to accomplish it in this manner. Upon receipt of this information, which would not be regarded as sufficient by the materially interested contracting parties, his delegation had telegraphed again to the Government asking for further information. According to information now received, the executive proposals on this matter would receive consideration by Congress by 15 April. The Brazilian representative said that he counted on the spirit of comprehension and sympathy of the Contracting Parties and requested them once more to defer action until the next session. The Brazilian Government would keep the Secretariat currently informed of any action by the Brazilian legislature and of any other developments.

Mr. LECUYER (France) recalled the long history beginning with the diplomatic representation made by the French Government as early as February 1949. In view of the lengthy discussions at Annecy it had been expected that the whole matter would have been settled by the end of 1949. Although he was sure of the good faith on the part of the Brazilian Government and its delegation, in the circumstances he could not but reserve the right of his Government in regard to any further action. While not proposing any immediate measures, he would wish the Contracting Parties to express to the Brazilian Government their regret on the deplorable situation, especially from the point of view of the future operation of the General Agreement.

The CHAIRMAN outlined the past actions taken by the contracting parties on this subject, which he thought was in accordance with the provisions of paragraphs 1 and 2 of Article XXIII. Since the Brazilian Government had failed to fulfil its obligations, the provisions of the third sentence of paragraph 2 of Article XXIII seemed to have become applicable. If the Contracting Parties did not feel disposed to give full implementation of the provision at this stage, the most suitable way would be to leave it to the materially affected contracting parties, in consultation with Brazil, to consider what compensatory concessions could be demanded of that country and to keep this subject on the agenda for the Fifth Session. This procedure would have the advantage of avoiding the need to

decide immediately which were the materially affected contracting parties.

Mr. TELLES RIBEIRO (Brazil) regretted that the CHAIRMAN should have proposed action under Article XXIII in view of the fact that no contracting party had made such a demand. The delay had been due to many difficulties among which not the least was the need for time to translate the lengthy and involved documents. His Government had assured that Congress would commence to give consideration to the proposals in the middle of April with a view to giving full satisfaction to the contracting parties, even though he was not in a position to say what measures would be taken. In the circumstances he felt that the Chairman had given an extremely severe ruling which was unacceptable to his delegation.

The CHAIRMAN replied that even though no contracting party had proposed action under Article XXIII the steps which had so far been taken had evidently been pursuant to the provisions of that Article. In view of the short time available at this session, he had only proposed that any action which individual contracting parties might feel necessary to take under Article XXIII should be examined at the next session.

Mr. EVANS (United States) said that the Contracting Parties would be unable to do otherwise but to examine immediately any proposal for action under Article XXIII if it were made by a contracting party. The Chairman's proposal seemed to have been intended to forestall any such proposals. If the Contracting Parties wished to postpone discussion of this subject some joint recognition had to be given of the situation at this stage, in view of the specific time limit laid down in the Working Party Report of the Third Session. On the other hand, the United States delegation wished to express its appreciation of the extremely cooperative spirit of the Brazilian representative, who personally had no responsibility for the difficult position that now existed.

Mr. BURGESS (United Kingdom) also supported the Chairman's proposal. It was natural that the contracting parties should have viewed with concern the repeated delay on the part of the Brazilian Government to comply with the recommendations. If the Chairman's proposal were adopted, there would be no cause for action by the contracting parties at the next session if

Brazil fulfilled the requirements in the meantime, but failing that the contracting parties affected would then in any case have the right to seek for compensation. The proposal by the Chairman should therefore not call for undue concern by the Brazilian representative. The cooperative attitude of the Brazilian representative should however be appreciated by the Contracting Parties.

Mr. SCHMITT (New Zealand) said that he was not certain that past discussions had been undertaken specifically under Article XXIII. It might be appropriate for the question to be considered at the next session under the provisions of Article XXIII, but it was not necessary for the Contracting Parties to invite governments to proceed under those provisions. In his opinion the most practical way of dealing with the situation would be to take note of the statement of the Brazilian representative, and leave the matter to be pursued by the contracting parties concerned if they should so desire.

Discussion of the subject was to be continued at the next meeting and the meeting adjourned at 1.30 p.m.