

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED
LIMITED B
GATT/CP.5/SR. 3
6 November 1950
ORIGINAL: ENGLISH

CONTRACTING PARTIES
Fifth Session

SUMMARY RECORD OF THE THIRD MEETING

Held at the Marine Spa, Torquay, England on
Friday, 3 November 1950 at 3.00 p.m.

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

Subjects Discussed:

1. Modification of Schedules consequent upon adherence to the Brussels Convention for Tariff Nomenclature (GATT/CP.5/7)
2. Rectification of Schedule XXVI (Haiti) (GATT/CP.5/6)
3. Budget and Administrative Arrangements for 1951 (GATT/CP.5/10 and 13; GATT/CP/84)

1. Modification of Schedules consequent upon adherence to the Brussels Convention for Tariff Nomenclature (GATT/CP.5/7)

The CHAIRMAN referred to a letter from the European Customs Union Study Group drawing attention to possible minor adjustments of tariff schedules to the Agreement consequent upon the eventual adherence of contracting parties to the Brussels Convention on Tariff Nomenclature. It was suggested in GATT/CP.5/7 by the Executive Secretary that any adjustment of the schedules might be dealt with by reporting them to all the contracting parties and allowing a suitable delay for scrutiny; in the absence of objections, the adjustments would be deemed to be approved unanimously and this approval would be formalised in due course by means of a protocol of rectifications. The extension of the use of a common tariff nomenclature was a worthy project and he was sure the contracting parties would give their benevolent attention to the matter.

Mr. BYSTRICKY (Czechoslovakia) asked whether it was assumed all contracting parties should adhere to the Brussels Convention. The CHAIRMAN explained that the matter before them concerned only those countries which adhered to the Convention; they would find it necessary to modify their schedules to the Agreement if they were to bring their official tariffs into line with the common nomenclature.

Sir Stephen HOLMES (United Kingdom) explained that the Brussels Convention would be open for signature about the middle of December and that it was not exclusive to countries members of the Study Group but could be accepted by any government.

Mr. BROWN (United States) supported the proposal and suggested that the Secretariat allow ample time for examination of the adjustments. He also suggested that the Study Group be asked to keep the Secretariat informed of the progress made in the adoption of the nomenclature.

Sir Stephen HOLMES said he would like to see agreement in principle amongst the Contracting Parties to the proposal that schedules should be adjusted, where necessary, upon acceptance of the Brussels Convention. Adjustments would only be inci-

dental and it was hoped that the other contracting parties would be benevolent in scrutinising the adaptations which would be required. The Convention would not come into force until some seven countries had accepted it. He hoped the contracting parties would take this opportunity to agree that these arrangements were desirable.

Mr. AHMAD (Pakistan) wished to reserve the position of his country because, while considering the unification of customs nomenclature a very desirable object, they were faced with certain practical difficulties and he could not commit his government to acceptance of a change in its tariff.

Sir Stephen HOLMES (United Kingdom), speaking as the representative of one of the countries which had participated in the work of the Study Group, thought that the representative of Pakistan had misunderstood the matter. There was no intention of imposing a nomenclature upon any country. It was of course entirely for each country to decide whether to sign the Convention or not, but it was at least possible that some contracting parties would adhere to the Convention and it was suggested that they agree in principle that those which did adhere should adjust their nomenclature in the Agreement Schedules. He would, however, express the hope that ultimately a common nomenclature for the whole world could be arrived at.

Mr. OLDINI (Chile) said he was not very clear about the issue and was very apprehensive of approving a decision of which he did not see all the implications. It was clear that there would be changes in the schedules and though he supposed these changes would not be great, and that compensations for any damage would be granted, the fact remained that the lists could not be modified except by unanimous agreement of all the contracting parties. On principle, therefore, he could not follow the United Kingdom proposal and thought it would be more useful to return to the Secretariat proposal, the limits of which had been explained by the Chairman.

M. LECUYER (France) recognised that the adaptation of a new nomenclature to certain tariffs, particularly non-European tariffs, would be a difficult matter, but he did not think there was any difference of substance in the proposal of the Secretariat and the proposal of the United Kingdom. He thought that the fears of the Delegate for Chile were exaggerated, no schedule could be modified without the unanimous consent of other contracting parties, and no contracting party could therefore be obliged to agree to any modifications.

Mr. AHMAD (Pakistan) said he had thought that the proposal called for approval of the adoption of a new nomenclature, and therefore withdrew his reservation.

The CHAIRMAN repeated that the question before them was to find means for those who wished to adhere to the Brussels Convention to bring about the necessary changes in their schedules by the ordinary procedure of the Contracting Parties. It was clear that if there were no agreement the country would have to negotiate. He believed they could say they were in sympathy with the objectives of the Study Group and that whenever necessary the ordinary rectifications procedure of the contracting parties would be available.

Mr. OLDINI (Chile) repeated that the Secretariat proposal would be acceptable. He insisted that the possibility of negotiations being necessary could not be excluded. He wished to take this opportunity to ask that the Secretariat bear in mind the position of the more remote countries which often suffered from late arrival of documents and suggested that ample time be given to reply.

The Contracting Parties agreed to the sending of a reply to the Secretary-General of the European Customs Union Study Group expressing their sympathy towards the objectives of the Study Group and informing him that any country which had any changes to submit to the contracting parties could resort to the normal rectification procedure. If there were objections, the GATT would of course always prevail and negotiations would have to be held for the adjustments. The Study Group would also be asked that the Contracting Parties be kept regularly informed of all ratifications of the Convention.

A discussion followed in which Mr. Pando (Cuba), Mr. Melander (Norway), Mr. Tonkin (Australia) and Sir Stephen Holmes (United Kingdom) took part, on the period to be allowed to the Contracting Parties to submit comments or objections to any proposed modifications.

It was agreed to leave the length of the period to the judgment of the Executive Secretary, who would be guided by the length of the lists submitted, while giving special attention to geographically remote countries.

2. Rectification of Schedule XXVI (Haiti) - (GATT/CP.5/6)

Mr. DOMINIQUE (Haiti), pointing out that the document before them listed certain errors which had been made in drawing up the final list of the concessions of Haiti at Annecy, said that, having received no objections from France or from other contracting parties, he thought the Contracting Parties would agree to the rectifications.

Mr. BROWN (United States of America) regretted that his Delegation could not agree immediately to the rectifications. One item of considerable interest to them made it necessary that they discuss the matter with the representative of Haiti.

M. LEQUER (France) supported the proposal and explained that the error could have been rectified at Annecy itself, had it not been for the fact that the Haitian Delegation had left Annecy too soon. When the French Government had been notified of the mistake it had immediately given its agreement.

Mr. DOMINIQUE (Haiti) expressed his readiness to discuss the matter with the U.S. Delegation.

The CHAIRMAN proposed that the rectifications be referred to the Working Party which he was proposing to set up

Mr. BROWN (U.S.A.), apologising for not having presented his objections earlier, agreed to the matter being referred to the Working Party but suggested some preliminary discussion with the Haitian Delegation. Mr. DOMINIQUE agreed.

Mr. REISMAN (Canada), supporting the Chairman's proposal, suggested that the established procedure distinguishing between rectifications and modifications be borne in mind by the Working Party when considering this matter and when considering the type of document to be drawn up.

It was agreed that the matter be discussed bilaterally with the United States and any other country which might have objections, and then referred to the Working Party on Tariff Schedules for examination. The Working Party would then report to the Contracting Parties after having given consideration to the proposal of Canada.

It was agreed to set up Working Party "B" on Tariff Schedules, to consider items 3, 5 and 21 of the Agenda and report to the Contracting Parties, composed as follows:

Chairman: M. Dufourg (France)

Cuba
France
Haiti

Sweden
United Kingdom
United States

Delegations which had rectifications to make to their schedules should send them to the Secretariat which would pass them to the Working Party for consideration.

3. Budget and Administrative Arrangements for 1951 (GATT/CP.5/10, GATT/CP.5/13, GATT/CP/84).

M. ROYER (Deputy Executive Secretary) said that financial and administrative reasons called for an early examination of the budget. The financial reasons were that ICITO would have to revise the present arrangement with the Contracting Parties for the repayment of services rendered to them and that the continuation of the Torquay Conference in the first quarter of 1951 would involve heavy expenditure during the early part of the year, at a time when current contributions were not yet available.

On 1st October, the unobligated cash balance of the GATT account was about \$140,000; whereas expenditure till the end of the year was budgeted for \$135,000:

Tariff Negotiations	\$75,000
Fifth Session of the Contracting Parties	20,000
Salaries and other current expenditure	<u>40,000</u>

leaving a cash balance of about \$5,000, on 31 December. The Contracting Parties could rest assured that as usual every effort would be made to keep within these estimates and, if possible, to spend somewhat less. It is, however, clear that the present cash balances would be exhausted well before April next. So long as the 1951 contributions had not come in, the only source of income available would be the receipt of outstanding contributions and payments as listed in document GATT/CP/84, to which should be added the contributions which the Torquay acceding governments were expected to make to the expenses of the Conference, amounting to approximately \$20,000.

Even on the assumption that the Fifth Session would end by Christmas and that the Tariff Negotiations would only require the maintenance of a skeleton staff, the expenditure in the first three months of 1951 would reach a figure of at least \$70,000. If all outstanding payments were to come in by the end of 1950 or very early in 1951, there would be just enough money to bridge the gap. But a glance at the list contained in GATT/CP/84 would show that some contributions - i.e. those of China for 1949 and 1950 - could be written off; as regards the other outstanding amounts, there was no definite indication, except in one or two cases, as to when they would be likely to be forthcoming. In view of these circumstances, the Executive Secretary required an assurance that steps would be taken to provide adequate resources early next year. To achieve that result, the governments would have to know very soon what amounts they were called upon to contribute and this implied that the estimates of expenditure could be approved by the Contracting Parties without undue delay.

The other reason calling for an early decision on the budget was of an administrative character. The note of the Executive Secretary made it clear that, if the Contracting Parties wished to retain the services of the Secretariat after December next, they would have to agree to the proposal that all the expenditure incurred on behalf of the Contracting Parties would be met out of contributions. If this proposal were not acceptable to the governments concerned, the Secretariat would probably have to be dissolved, and appropriate action would have to be taken before the end of the month.

Other administrative arrangements mentioned in paragraphs 6 and 7 of the Executive Secretary's note would also require the attention of the Contracting Parties as they would have to be implemented before January.

When the Contracting Parties had agreed on the magnitude of 1951 expenditure, they would have to adopt a scale of contributions for next year. It would be remembered that the present scale was a provisional one and that it had been decided at Annecy to reconsider the question before the end of the year and to examine, in that connection, a proposal submitted by the Czechoslovak Delegation. In order to facilitate the discussion of that subject, the Secretariat had circulated tables showing what contribution each contracting party would have to make to the 1951 expenditure, if the present scale were retained or if the Czechoslovak proposal were accepted.

As regarded the budget proper, the following general remarks might be put forward.

The estimates of expenditure were based on the assumption that the work-load of the Secretariat would not be considerably heavier in 1951 than in 1950. Experience last year had shown that, even during inter-sessional periods, the strain on the present establishment was growing and was eased only by engaging temporary staff and postponing some useful projects. The re-arrangement of the manning table had taken account of that experience, but the estimates were much below those of the IOITO budget in 1950. If, as a result of the consideration of another item of the agenda, a different structure were proposed for the Contracting Parties and new projects were started, additional resources would probably be required.

In order to meet such and other unforeseen expenses for which no provision was made in the estimates and to make up for the uneven flow of contributions, it would appear that some kind of a cash reserve should be set aside. The United Nations and other international organizations had solved this problem by setting up a Working Capital Fund. Since IOITO followed substantially the same administrative and financial rules as the United Nations, it appeared natural to follow their example. Accordingly, the Executive Secretary suggested in his note that the Contracting Parties might decide to use the 1950 surplus to build up that Fund and, if necessary, to grant additional advances to bring the Fund up to the desired level. If it was felt inadvisable to take such a decision this year, other alternatives might be considered which would serve the same purpose.

Finally, M. KOVEM indicated that the presentation of the estimates had been modified; the main items of expenditure had been grouped in a short table and detailed figures relegated to annexed schedules, together with explanatory notes; two draft resolutions had been submitted in order to define the financial authority given to the Executive Secretary and to facilitate the periodical auditing of the accounts.

Mr. BROWN (U.S.A.) welcomed this opportunity to pay tribute to the work of the Secretariat. As regards the budget, there was much they wanted to discuss, and they would like to collaborate particularly with regard to the necessity for prompt payment of contributions.

Mr. BISTRICKY (Czechoslovakia) wished to associate himself with the representative of the United States in expressing his appreciation for the work of the Secretariat. Referring to document Budget/5, which contained a proposal for the scale of contributions of the contracting parties for 1950, he said they now had a proposal which they thought rested on a more exact and fairer basis than their earlier one and than any other which had been considered.

The Czechoslovak proposal was submitted and the Chairman gave an assurance that it would be distributed on the following morning.

Mr. DI NOLA (Italy), with reference to the delayed payment of the Italian contribution for 1950, pointed out that his Government had been a contracting party only since the 1st of June and was therefore only five months behind. Of these

five months, two had been taken up by the summer recess, and Parliament had therefore had little time to approve that item of expenditure. He wished to say that the bill had been approved by the Council of Ministers and would be submitted shortly to Parliament. After approval, the item would automatically form part of the budget of every year and no more difficulties were to be foreseen. He wished to associate himself with the tribute paid by previous speakers to the Secretariat.

The meeting rose at 6.30 p.m.