

RESTRICTED
LIMITED B

GENERAL AGREEMENT ON
TARIFFS AND TRADE

GATT/CPS/SR.2
10 April 1951

ORIGINAL, ENGLISH

CONTRACTING PARTIES
Special Session, 1951

SUMMARY RECORD OF THE SECOND MEETING

Held at the Marine Spa, Torquay,
on Friday, 30 March 1951 at 3 p.m.

Chairman: Mr. J. MELANDER (Norway)

Subject discussed: Problem of the disparity of European tariffs
(GATT/CP/103)

The CHAIRMAN recalled that the problem of the disparity of European tariffs had been raised at the Fourth Session of the Contracting Parties by the Benelux and other delegations. These countries felt that insufficient attention had been paid to the principle of Article 17 of the Havana Charter that the binding of a low tariff was to be considered a concession equivalent to a substantial reduction of high tariffs; the position of these countries was therefore increasingly difficult for those countries since they had little more to offer in exchange for the reduction of high tariffs in other countries. The Governments of the Netherlands and Belgium, with the support of the Scandinavian countries, had raised the question again at Torquay at the beginning of the tariff negotiations. Since these negotiations had not in their view made a sufficient contribution in the disparities in European tariff levels the Benelux countries initiated informal talks at Torquay with other delegations which had resulted in the memorandum signed by ten delegations which was now before the Contracting Parties.

Mr. SVEINBJØRNSSON (Denmark) introducing the memorandum, made a statement which has been circulated as document GATT/CP/S/3.

Mr. van BLANKENSTEIN (Netherlands) spoke in support of Mr. Sveinbjørnsson and wished to express his thanks to him for the manner in which he had conducted the discussions of the group.

Mr. GARDINI (Italy) recalled that his Government had long supported the creation of a single market in Europe and had presented to the OEEC a plan directed towards this goal.

He wished to point out however that tariff reductions arising out of normal negotiations could not bring about a unified market. Tariffs were the numerical expression of the real economic situation of each country. The possibilities of

reduction of tariff disparities were limited by the disparity of the economic and social structure of different countries.

The Italian Government would be glad to take part in a further study of the methods of tariff negotiation, provided such disparities in the economic and social structures were borne in mind. Production in Italy had to be viewed as a whole, taking into account the problems connected with all factors of production and, in particular, with labour. The problems of labour were the determining factor in Italian economic and social policy. Unless they approached these problems realistically they would leave themselves open to grave illusions.

Their work would be more logical and realistic if the European governments concerned were to make their tariff proposals fit in with the aims of the OEEC. The creation of a unified market would then follow logically. They should not limit their efforts to the abolition of barriers to the exchange of products but also to barriers impeding the movement of factors of production. The problem should be faced as a whole and not piece-meal.

He expressed the hope that practical studies be initiated, bearing in mind European economic and social realities; that the studies be conducted on a broad enough basis to allow the participation of all European GATT and OEEC countries; and that the aims be so formulated as to allow of their practical realization.

He supported the proposal to set up a Working Party with the composition and terms of reference suggested by the signatories of the memorandum.

Mr. MOORE (United States) said that their attitude to this matter had been determined by two fundamental considerations. The United States Government had long identified itself with efforts towards the reduction of barriers in European trade, and it was their opinion that a concerted attack was now urgent in the field of tariffs in view of the progress which had been made by European countries in the reduction of other barriers, such as quantitative restrictions. The second point which they wished to stress was that the GATT was the proper body in which to debate, and endeavour to solve, tariff problems. His government would consider sympathetically any reductions in tariffs achieved within the framework of the GATT and do what they could to offer compensation.

Sir Stephen HOLMES (United Kingdom) expressed his agreement with several of the points contained in the paper before them and put forth by previous speakers. It might have been foreseen when the Agreement was initiated that successive rounds of tariff negotiations would of necessity slacken the pace of tariff concessions and that some countries would sooner than others find it difficult to secure concessions. He agreed that such a problem should be studied by a Working Party of the Contracting Parties in accordance with customary procedure, but, whilst admitting the existence of a problem, he felt it should be recognised that the problem was not susceptible of an easy solution and that to save time and manpower it should be tackled on the right lines. He agreed with the representative of Italy that the problem had wide implications and that a country's tariff was the expression of a policy dictated by fundamental structural reasons. He was, however, surprised to hear the Italian representative say that he would agree to

further reduction of tariffs only if other economic disparities were set right. This appeared to be a very different approach from that set out in the memorandum which was concerned only with tariffs.

The representatives of the United Kingdom had not signed the memorandum because they did not agree that the problem was solely European. No one could in fact deny that the fundamental point was what compensations non-European countries could offer if the European countries agreed to certain reductions among themselves. Moreover, while it was true, as Mr. Sveinbjörnsson had said, that the liberalisation of European trade had brought out the practical importance of tariffs, European liberalisation was only an advance instalment of measures which would necessarily be taken by other countries as they overcame their balance of payments difficulties. The same problem would arise wherever non-tariff barriers were lifted. Too much stress had been laid on the problem as a European one and this was reflected in some of the proposals contained in the document. He did not agree that a Working Party of the Contracting Parties should be limited in its composition to European countries. They should follow their traditional procedure. Moreover, the direction of the Working Party should be left entirely to the Contracting Parties - for whom tariffs were a principal field of activity - and to no other institution. This was not to say that the Working Party was debarred from seeking information from other sources, but they should be conscious of the dangers of conflicts of jurisdiction and it was very important for the future of the Agreement that there should be no question of the organization which was to be responsible. The dangers inherent in such conflicts had been clearly exemplified in another context at the Fifth Session.

In conclusion he affirmed that the United Kingdom delegation recognised the existence of the problem and agreed that it should be studied by an intersessional Working Party set up by the Contracting Parties and which would report to the Contracting Parties at their next ordinary session.

Mr. STEYN (Union of South Africa) expressed his agreement with the previous speaker without reservation. His delegation recognised that tariff disparities had created problems for European countries which should be examined by a Working Party of the Contracting Parties. They believed, however, that these difficulties were part of a much wider problem with which a number of contracting parties were confronted. Having recognised, however, the difficulties created by the special set of problems and the danger that they might delay the progress of multilateral reductions of tariffs, his delegation would welcome an investigation of these problems by a Working Party of the Contracting Parties. Such a Working Party should be fully representative and should report to the Contracting Parties. In the course of its work it should be allowed to consult other organisations but should bear in mind the general provisions of the GATT. It would be wrong to start with an objective which was incompatible with the GATT. They should also carefully examine the bearing of this problem on different parts of the world.

Mr. DESAI (India) expressed his opposition to the constitution of a working party of the Contracting Parties composed in a manner which ran counter to their customary procedure. With respect to the problem in question, he thought that if, as the document before them implied, the proposed action was a first step towards the creation of a customs union the European countries should work out a programme to submit to the Contracting Parties. Whatever might be the difficulties of such action, it was essential that nothing be envisaged which fell outside the limits of the Agreement. The European countries might prefer to agree to tariff reductions among themselves and thereafter seek compensation from non-European countries. In that case they should proceed with their negotiations and submit their proposals to the Contracting Parties. If it was difficult for European countries to agree on a scheme amongst themselves for submission to the Contracting Parties then he would support the setting up of a working party of the Contracting Parties which would endeavour to obtain agreement and which by virtue of its representative composition could act as a test before the final consideration by the Contracting Parties. No scheme could be acceptable to the Contracting Parties if it were unacceptable to a working party of the Contracting Parties. There were other facts also to be taken into consideration, for instance the world wide character of the problems or the question of overseas dependencies of European states, which latter raised the problem of the creation of another preferential system. All these problems should be examined by a working party representative of the Contracting Parties.

Mr. REISMAN (Canada) said his delegation had followed the debate with the greatest interest and wished to express his sympathy with the objectives of the memorandum before them. He explained that the Canadian Delegation appreciated the increasing difficulties which were confronting the low tariff countries, European and non-European, in their efforts to obtain satisfactory tariff concessions. In the course of the informal discussions in which they had participated as observers they had made suggestions of a practical character and had, above all, stressed the fact that if the European countries could get together and secure agreement among themselves for tariff reductions, which they were prepared to extend in a non-discriminatory manner Canada would examine the results in a sincere effort to find payment for such tariff reductions which were of interest to them. If any practical solution could be found within the terms of the Agreement his Government would be prepared to extend all possible assistance in order to make the project a success. They could not help feeling, however, that the suggested proposals fell between two stools. If, in fact, the problem were exclusively a European one, then it would be proper for it to be dealt with by a body such as O.E.E.C. set up to deal with European regional problems. They felt, however, that the problem had broad ramifications which affected the interest of many other countries, and for that reason it fell more properly within the orbit of G.I.T.T.

Moreover, in this field the contracting parties had great experience and his delegation felt that the likelihood of finding a satisfactory solution would be greater if the direction of the working party were kept under the control of the Contracting Parties. This did not mean that it could not draw on the experience

and technical resources of other specialised organisations, including O.E.E.C.

As to the composition of any such working party, there was no reason to depart from principles and procedures which had long been established. It should be remembered that it was a customary procedure that any contracting party not member of a working party was allowed to attend and participate in the discussions of working parties when problems arose in which it had an interest. Finally, his delegation were prepared to play a part in this exercise provided the terms of reference made it clear that the working party would be seeking a multilateral solution in accordance with the principles and objectives of the G.A.T.T. Any solution which was contrary to the basic principles of the General Agreement should be put aside from the beginning, nor should any approach be pursued which did not provide hopes of a practical solution.

Mr. van BLANKENSTEIN (Netherlands) wished to reply as representative of one of the delegations which had signed the memorandum to some of the points raised by previous speakers. Two main objections seemed to have been raised: the first was that the problem was not a purely European one, from which arose the second objection, that the composition should not be restricted to European countries and that the direction of the working party should come from the Contracting Parties.

He did not wish to deny the existence of a worldwide disparity in tariff levels, nor did he deny that a return of equilibrium in balances of payments with the consequent reduction of trade barriers might give rise to the same situation in other parts of the world. But whereas this was a hypothetical case, they were here confronted with the actual problem.

With regard to the remarks of the delegate of Italy relating to the disparities of economic development and social structure in Europe, he thought there was no doubt that Europe as a whole was a much more homogeneous developed area than other parts of the world, and that the creation of more competitive conditions was more strictly urgent. While stressing the urgency of the problem as a European one, he wished to make it clear that every attempt should be made to reach, as suggested by Mr. Desai, a non-discriminatory solution. It would be indeed regrettable if a solution were found which was not compatible with the Agreement.

They had been moved by the best intentions and in approaching the Contracting Parties they had no wish to create difficulties.

As to the composition of the working party, their reason in suggesting that it be limited to European countries members of the O.E.E.C. was based on the necessity for a speedy examination of the problems. They had not intended that other contracting parties should be barred from attending, but if they were to set up a working party composed of the interested European countries and of a number of non-European countries, the size of the working party would make progress difficult.

There was no question that a working party set up by the Contracting Parties could only be under the direction of the latter; it was only suggested that it should seek the co-operation and advice of the O.E.E.C. He also wished to make

it clear that it had been their understanding that it would be extremely difficult to reduce European tariffs on a non-preferential basis if the extra-European countries who would benefit were not prepared to offer compensation. He was thinking, in particular, of the fact that the two countries which would most benefit were the US and Canada.

Mr. MACFARLANE (Southern Rhodesia) expressed his understanding of the argument put forward by Mr. van Blankenstein but felt that the European aspect of the problem was over-emphasised. The machinery of GATT had been tried and tested and he suggested that they should adhere to traditional procedure.

Mr. ROHAC (Czechoslovakia) on the assumption that the discussions would continue, reserved his right to speak on the matter at a later stage. He felt, however, that the wording of the terms of reference was unhappy, perhaps because it was the result of a compromise. It seemed clear to him that the GATT machinery, if the working party were set up as suggested in the memorandum, would be subordinated to the aims of a body which was foreign to the General Agreement and he supported the representatives of the United Kingdom and of Canada who had spoken in favour of the customary procedure.

Mr. AZIZ AHMED (Pakistan) expressed his sympathy with the contents of the memorandum, but was concerned at certain suggestions which were couched in a language that was not the language of the General Agreement. As a neutral delegation they felt that the wording of the terms of reference gave the impression that the Working Party might be subordinate, and certainly under the influence of, another organisation. He submitted that all the signatories desired could be met by the proposals of the United Kingdom and of Canada, and suggested further that the United Kingdom delegation put forth their suggestions in the form of a resolution.

Sir Stephen HOLMES (United Kingdom) was prepared to accept the suggestion made by the previous speaker and would endeavour to present a draft resolution designed to meet all views.

The CHAIRMAN considered the general discussion closed and thought the United Kingdom delegation should submit their draft at the latest on the following morning.

Mr. van BLANKENSTEIN (Netherlands) said his delegation would welcome the United Kingdom submission which was supported by several countries, but wished to point out that they had not yet discussed the document before them. In particular the section containing suggestions for the setting up of a Working Party.

Mr. PANDO (Cuba) supported the proposal that the United Kingdom submit their document.

The CHAIRMAN said that the discussions had touched on the two aspects of the problem: the European and the GATT aspect.

The European countries felt that they might agree on tariff reductions among themselves and this was primarily a European problem. To relate it to GATT they would either have to envisage the creation of a Customs Union or Free Trade Area or to agree among themselves on tariff reductions which they would thereafter place before the Contracting Parties, with a view to seeking compensation from non-European countries which would benefit from the extension of the reductions to them in accordance with GATT rules.

It was his understanding that the majority of speakers viewed the problem as a problem to be tackled within the framework of the General Agreement. No speakers had of course expressed any objection to the examination of the problem by the European countries among themselves. The two methods could in his opinion be applied concomitantly. They could have a working party of the Contracting Parties and at the same time the problem could be tackled by the O.E.E.C. Contact, of course, would have to be maintained.

Mr. van BLANKENSTEIN (Netherlands) referred to the Chairman's statement that the majority were opposed to the setting up of a Working Party as proposed in the memorandum and wished to point out that whereas six contracting parties had spoken against, the eight contracting parties signatories of the memorandum were to be taken as favourable to the proposal.

The CHAIRMAN replied that he had heard three speakers in favour and six against.

Mr. LECUYER (France) wished to make it clear that he had signed the memorandum upon instructions from his government and that they had not modified their position.

The meeting adjourned at 7.10 p.m.