

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED
LIMITED B
GATT/CP.6/SR. 9
25 September 1951
ORIGINAL: ENGLISH

CONTRACTING PARTIES
Sixth Session

SUMMARY RECORD OF THE NINTH MEETING

Held at the Palais des Nations, Geneva,
on Friday 21 September 1951 at 3 p.m.

Chairman: Mr. Johan MELANDER (Norway)

- Subjects Discussed:
1. Application of Haiti relating to Schedule XX Withdrawals.
 2. Articles 3, 4 and 6 of the Havana Charter.
 3. Article XX Time Limit.
 4. Order of Business.

1. Application under Article XXIII relating to Withdrawal of Items 1021(1) and 1021(3) from Geneva Schedule XX (GATT/CP/115/Add. 2)

M. SCUTT (Haiti) said that his Government desired to consult with the United States Government under the provisions of Article XXVII concerning the action of that Government in withdrawing from Schedule XX items initially negotiated with the Government of China at Geneva in 1947. In reply to Haiti's request for renegotiation the United States had contended that they could not negotiate at Torquay on these items because the notification from Haiti had been received too late for inclusion in the public notice which must be given in advance of negotiations.

With regard to Haiti's delay in presenting its claim, he wished to point out that the proclamation of the President of the United States was made on 12 October 1950 and the Haitian Delegation had approached the United States delegation at Torquay before 11 December, which was the date on which the withdrawals had taken effect. He agreed that countries should not delay their requests for consultations but he hoped the United States delegation would not adopt a rigid attitude, especially as no time-limit was provided in the Agreement.

Mr. THORP (United States) regretted that a problem of this kind should be outstanding. His delegation confidently believed that, in consultation with the Haitian delegation and before the end of the session, they would be able to work out a procedure for dealing with it. The search for a solution might be much facilitated by the arrangements which the Contracting Parties might make for conducting negotiations between

sessions. He therefore proposed that the item be retained on the Agenda for further consideration towards the close of the session.

2. Amendment of the Agreement to include Articles 3, 4 and 6 of the Havana Charter (GATT/CP.5/23 and SR. 10)

Mr. BORRESEN (Norway) recalled that his delegation had proposed at the Fifth Session the incorporation in the Agreement of Articles 3, 4 and 6 of the Havana Charter. Their arguments were recorded in GATT/CP.5/23. The Contracting Parties had then agreed that, in view of the uncertainty which still existed with regard to the future of the Havana Charter, the time was not ripe for action in this direction. The Contracting Parties on the other hand had reaffirmed, in pursuance of the provisions of Article XXIX, their intention to observe to the fullest extent of their executive capacity the principles underlying these and other articles of the Havana Charter. The matter had been pursued no further by the Norwegian delegation. By the end of the Fifth Session, however, it was clear that the entry into force of the Charter could not be expected in the foreseeable future and, therefore, the Norwegian Government had decided to renew their proposal at the present Session. If it was expected that in the not distant future there would be a meeting such as that envisaged in Article XXIX for the purpose of submitting the Agreement to a general revision, his delegation would not request a full debate at present. He concluded by expressing the hope that such a meeting would not be long delayed.

Sir Stephen HOLMES (United Kingdom) expressed his full agreement with the Norwegian representative. His delegation had made their position clear at Torquay and did not feel that the situation had changed so as to make the Norwegian proposal less justified. As the preamble to the Agreement recognised, the expansion of international trade was not an end to itself but a means of raising standards of living, ensuring full employment and a large and steadily growing volume of real income and effective demand. It was significant that the original document on which the Agreement was based was described as a set of proposals for consideration by a world conference on trade and employment. Whilst it was true that full employment had been made the subject of examination by the Economic and Social Council and by the Organization for European Economic Co-operation that was no reason why these provisions should not be included in the General Agreement which seeks to lay down a basis for international trade policy. It was unreasonable to expect the reduction of trade barriers unless there was sufficient assurance that the nation's economy would not be endangered by a reduction in demand and employment, and unless some body such as the Contracting Parties bore this constantly in mind and had as its specific duty to give the question of employment its full attention.

The United Kingdom Government attached such importance to the attainment of the objectives recited in the preamble to the Agreement that they questioned whether, in the light of experience over the past two years, the proposed insertion of Articles 3, 4 and 6 would be sufficiently far-reaching.

Chapter II of the Havana Charter laid emphasis on deflationary pressures resulting from instability of demand but not sufficient stress was laid on the possible contribution of creditor countries. The policy of debtor countries was to be constantly under review but there were no provisions for reviewing the policy of the countries which were the source of scarce currencies. It was necessary to ensure that the part played by the latter was not left entirely unrelated to the obligations of the debtors. These requirements were not very satisfactorily met by the provisions of Chapter II. He concluded by expressing his gratitude to the Norwegian delegation for bringing this subject to the attention of the Contracting Parties at every session, and he reiterated the need for amendment of the Agreement with suitable provisions, which should include Chapter II of the Havana Charter, so as to make the Agreement a suitable instrument for long-term commercial policy.

Mr. PHILLIPS (Australia) recalled the great interest his government had always shown in this subject. He would only add to the considerations of the previous speaker that as far as his country was concerned it would be almost impossible for them to carry out their obligations under the Agreement if one of the major commercial countries should suffer a serious fall in employment.

Mr. PEREZ CISNEROS (Cuba) recalled that the inclusion of Article 7 of the Havana Charter had been proposed by his delegation. The well worked out balance of Chapter II would suffer if only a part were extracted for insertion in the Agreement.

Mr. SAHLIN (Sweden) associated himself with previous speakers and recommended that the question be kept in mind so that it could be taken into consideration at an appropriate moment.

Mr. COPPOLA D'ANNA (Italy) thought the inclusion of the three articles would be useful but that the same could be said of other articles and in fact perhaps the whole Charter should be incorporated into the Agreement. Furthermore, he did not think the three articles added much to what was said in the preamble to the Agreement. In the circumstances, his delegation were prepared to accept a decision of the Contracting Parties on the inclusion of the three articles, but did not think this was the time to insist.

M. LECUYER (France) said that while his Government was very much interested in the subject and was also very much concerned about the danger of deflationary pressures from abroad, they thought the question was a very delicate one not only in itself but also because the matter was receiving the constant attention of the Economic and Social Council. Duplication should at all costs be avoided. It had been said that the Agreement needed revision to bring it into line with changing circumstances and he agreed that the task should, at the right time and with proper care, be attempted. This was, however, not the moment, and he suggested that the matter be deferred.

Professor ADARKAR (India) recalled that the position of his country had been made clear at the Fifth Session. He agreed that a piecemeal amendment of the Agreement was not desirable; that there existed in Article XXIX a

provision which should meet the desire of the Norwegian delegation that there was no special urgency, and that there were various other articles in Chapter II, not to mention Chapter VII, which might appear to be equally important. It had not been proved that the situation had changed in any way or that the provisions regarding commercial policy in the Agreement were being applied by any country without regard to the principles of full employment or general economic activity. The Agreement was a workable instrument which laid upon the Contracting Parties definite obligations, and any new and less precisely defined obligations could only add to their already heavy burden of responsibilities. For that reason recommendations were to be preferred to the binding formulae of articles.

Such recommendations had, in fact, been made by the United Nations and other Specialized Agencies, which had taken cognisance of matters connected with employment, balances of payments and inflationary and deflationary pressures. Questionnaires had been sent to Governments and conclusions were being drawn from the replies received. He wished, therefore, to point out that due attention would have to be paid to the proper co-ordination of activities between various international organisations. In Article XII, paragraph 3(b) and (c), an attempt had been made in the Agreement itself to recognise the inter-relationship between employment and balances of payments. It was not necessary to add much more. Moreover, most Governments seemed to agree that a general revision of the Agreement was necessary. It would be a major contribution to the future of world trade if the Contracting Parties applied themselves to the solution of that important question.

Mr. ISBISTER (Canada) did not think it was necessary to make a speech in favour of full employment to indicate the position of his government; nor was it necessary for him to refer to his government's attitude towards the Agreement. They had supported it consistently from its inception, and their legislation had been brought into very close conformity with the terms of the Agreement. When the question of definitive application came to be discussed, his country would take it up; nor would they be found lagging if the question of ratification of the Havana Charter were to come forward. The particular proposals before them, however, were such that if they were adopted, he did not hesitate to say that Canada would have to re-examine the entire basis of their adherence to the Agreement.

He had followed the representative of the United Kingdom closely and, as a representative of Canada, he had sympathy with the points which had been brought up by him. They themselves had been a creditor country and, since adhering to the Agreement, they had also for a time been a debtor country. He could speak, therefore, with full cognisance of both positions. They had not only adhered to the letter of the Agreement when they were in a debtor position but, as creditors, had taken quite extraordinary steps on the lines indicated by the representative of the United Kingdom. They had taken steps to promote the sale in Canada of the products of countries which were in difficulties, and this was not for any reason of scarcity at home but as recognition of the obligations of creditor countries. They had also provided loans and grants.

Referring to the remarks by Mr. Adarkas, he thought if Chapter II were implemented one could say offhand that the net effect would be to increase considerably the number of escape clauses which were provided by the Agreement. They should at all cost avoid diversifying their efforts to a point where their work might become entirely ineffectual. If a piecemeal modification of the Agreement were to be undertaken his delegation would also have proposals to make, but he thought that the time for the revision had not yet been reached. Until such time it was better to preserve the equilibrium as it existed.

Mr. AGERUP (Denmark) supported the principle of the Norwegian proposal, which he thought however would require a profound investigation. He considered it was therefore appropriate to defer the matter until the occasion of a full-scale overhaul.

Mr. LEDDY (United States) said that over the years the United States had developed a keen appreciation of the importance attached by countries to the relationship between questions of trade and employment. Such relationships had been defined by the Havana Charter and it was unfortunate that the Charter was not in effect. They would therefore have to examine the consequences. When the time came the Contracting Parties would have to consider whether these matters had not better be pursued by different bodies. The previous statements to which he had listened very carefully would be found useful when they were considering what action to take. He assumed, however, that no-one was proposing an amendment to the Agreement at this stage because if so they would find themselves back in the situation when the Articles were first drafted. He proposed that they should take note and consider the question on some future occasion.

Mr. PERERA (Ceylon) expressed his gratitude to the representative of Norway and associated himself with the remarks of Sir Stephen Holmes that the expansion of trade was not an end in itself. The Agreement in its present form did not follow up the principles enunciated in the preamble but rather constituted a series of prohibitions. While the Agreement was being drafted his country achieved for the first time in 350 years their fiscal autonomy which they could have directed to the development of their economy but could not do so since they had adhered to the Agreement. Other countries in the past had enjoyed full freedom in this field and he did not see why less developed countries should not at present be allowed to resort to measures designed to foster their economic development.

The CHAIRMAN said that the debate had shown a considerable measure of agreement on the problem before them. He thought he could sum up the discussion as his predecessor in the chair had done at Torquay by referring to the provisions of Article XXIX requiring the observance by governments of the general principles of the Havana Charter to the fullest extent of their executive authority. The debate had also shown agreement among contracting parties on the need for re-examination of the Agreement at a later stage. This was perhaps a new element in their debates due to the fact that the Havana Charter would not come into force in the foreseeable future. As he had remarked in summing up the discussion on administrative questions it was expected that a constitutional session of the Contracting Parties would have to be convened at some future date. They could therefore take note that the Norwegian delegation reserved their right to bring the question up again.

3. Reconsideration of the Time Limit fixed in Part II of Article XX
(GATT/CP.5/32 and SR.16)

The CHAIRMAN recalled that at Torquay they had provisionally changed the date in Part II of Article XX to 1 January 1952 and had decided that the question should be further considered at this session.

Sir Stephen HOLMES (United Kingdom) said that this question had been raised at the Fifth Session by his delegation and he did not need to explain in detail the reasons why the Contracting Parties had reached the decision to extend the period. Until the outbreak of war in Korea the easing of shortages had been progressing at an encouraging pace and improvements had been observed in the balance of payments of the sterling area and of European countries. The Korean war and its consequences, however, had brought an end to the improvement in the raw material situation, but this change was not fully realised by all when they last discussed the matter. As an interim compromise, the Contracting Parties had decided to extend the facilities of Part II of Article XX for one year, and to review the situation at this session. The intervening period had shown that there would be need for these facilities for a longer time as acute shortages in raw materials had been caused by rearmament with the well-known consequences on the terms of trade and balance of payments. It had become necessary to set up an international raw materials conference to examine shortages and to make allocations. Stringent measures of rationing and price control had been introduced to meet general and local shortages. These measures were frequently inconsistent with earlier Articles of the Agreement, but he suggested that the facilities of paragraphs (a) and (b) of Part II were as much needed today as when the article was drafted.

The United Kingdom delegation still maintained that the most logical action was to amend Article XX to correspond to Article 45 of the Havana Charter. Article XX indicated a date beyond which certain measures could not be maintained without approval, whereas the Charter provided that the International Trade Organization would fix the date. In view of the misgivings expressed by some representatives with regard to amendments of the Agreement which might upset its balance, he suggested, as an alternative ^{to} X *em 1* the insertion of the provision of Article 45 of the Charter, that the facilities of Article XX, Part II, be extended for a further two years, that is, until the end of 1953.

X Mr. PRESS (New Zealand) supported this proposal, but he wished to make clear that on the occasion of any revision of the Agreement his government would not be in favour of incorporating the Charter provision; they would insist on the separation of the subjects covered by paragraphs (a) and (b) on the one hand and (c) on the other. X *em 1*

The CHAIRMAN adjourned the discussion of this item.

4. Order of Business

The CHAIRMAN suggested that the Contracting Parties meet in the afternoons of the following week to discuss the remaining items on the Agenda. His proposed programme called for discussion of import restrictions and special exchange agreements on 26 September, and in this connection he read a telegram from the International Monetary Fund advising that on account of their recent Annual Meeting the officials who were to represent the Fund could not obtain instructions and be present in Geneva before 1 October; this would involve a delay of 4 or 5 days and he enquired whether the Contracting Parties wished to continue the discussion in the absence of the Fund's representatives.

Mr. THORP (United States) expressed his reluctance to begin discussions without the representatives of the Fund. It was important to maintain happy relations with the Fund and if no great inconvenience would be caused the discussion should be delayed. Further, the delay would allow time for closer study of the draft report.

Sir Stephen HOLMES (United Kingdom) said it would be inconvenient for proceedings to be held up because the Fund representative was not available. The date of the Sixth Session had been known for many months; delegations had made their arrangements accordingly, and he hoped that there would be no postponement.

Mr. ISBISTER (Canada) said that plans for attendance at the session had not been coordinated with proper efficiency. His government desired that the best relations should exist between the Contracting Parties and the Fund, and therefore suggested that the discussion should be postponed.

Mr. PHILLIPS (Australia) agreed with the Canadian representative, assuming that it was in fact impossible for the Fund to send representatives by the 26 September. He thought a refusal to meet the request would appear discourteous.

M. CASSIERS (Belgium) agreed with the representatives of Canada and Australia; while it was regrettable that the Fund's representatives were not present, he thought it would be even more regrettable if in this important matter they should begin the discussion without the representatives of the Fund.

Sir Stephen HOLMES (United Kingdom) said that if it were agreed by the Contracting Parties that they should adjust their programme to meet the convenience of the Fund, it should be made known to the Fund that they had rearranged their timetable to suit the Fund's convenience.

The CHAIRMAN said that the Contracting Parties appeared to agree that it was unfortunate that the Fund could not send a representative at the time fixed in the programme of work adopted by the Contracting Parties, but thought that there was much force in what some delegates had said. He suggested, therefore, that they ask the Executive Secretary to send a cable to the Fund to ask them to send their representative as soon as possible and the time chosen for the discussion of these items could be considered again the following week.

The meeting adjourned at 7.10 p.m.

