GENERAL AGREEMENT ON
TARIFFS AND TRADE

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CONTRACTING PARTIES
Sixth Session

SUMMARY RECORD OF THE THIRTEENTH MEETING

Held at the Palais des Nations, Geneva,
on Thursday, 27 September 1951 at 10 a.m.

Chairman: Mr. Johan MELANDER (Norway)

Subject discussed: Termination of Obligations between the United States and Czechoslovakia (continued).

Termination of Obligations between the United States and Czechoslovakia under the General Agreement (continued) (GATT/CP.6/5 & Adds. 1 & 2)

Mr. TAUBER (Czechoslovakia), in continuation of his remarks made at the previous meeting, recalled that, on 17 October 1946, the leader of the United States Delegation to the Preparatory Committee of the United Nations Conference on Trade and Employment had said that it was his country's intention to base international trade on the principle of non-discrimination. On that basis, and on the principles of the United Nations Charter, the United States Government had initiated proposals for the Havana Charter and for the General Agreement. The principles of the General Agreement were well-known to be based on the elimination of discriminatory measures in international trade, through the granting of most-favoured-nation treatment. The only true function of the Agreement was to maintain normal commercial relations between the contracting parties, based on equality of rights and mutual economic advantage, and irrespective of their political outlook and practice. But as soon as the Agreement was signed United States export policy had started to violate its principles. The United States used export policy to serve the ends of their foreign policy, and systematic export control to that effect had been enforced since 1948. Mr. Tauber illustrated this contention by quoting from the records of the House of Representatives of 16 July 1951. American policy was not directed towards mutual collaboration between the nations and it was in conflict with international undertakings not to interfere with the sovereignty of other nations. The Contracting Parties had certainly not intended that the General Agreement should be used to further the political aims of the United States.

Mr. Tauber said that the United States had asked for tariff reductions from Czechoslovakia, and had then prohibited the export to his country of the majority of products for which reductions had been requested; this prohibition had resulted in a decrease in imports from the United States from 49 million dollars in 1947 to 10½ million dollars in 1950. This decrease had taken place

after the prohibitions were enforced in 1948 and thus it was evident that the decline was not the result of insufficient commercial information or of the liquidation of the agencies of American firms. If the United States exporters wanted commercial information they could obtain it, and if American exporters wanted to sell their products in Czechoslovakia nobody would stop them. His Government would certainly put no obstacle in their way. It was not his Government which was making these relations impossible, but the United States Government. During the Third Session of the Contracting Parties at Annecy in 1949, Czechoslovakia had complained against the discriminatory character of United States export policy; since then these complaints had been repeated many times. He would like to know how his country could be held responsible for the decrease in American exports to Czechoslovakia. On the contrary, his country was doing everything in its power to maintain commercial relations with the United States. Czechoslovak exports to the United States had even increased from 23 million dollars in 1947 to 26 million dollars in 1950, but the United States Government, seeing imports on the increase, had withdrawn tariff reductions such as those for ladies' hats. During all this time Czechoslovakia, in its desire to expand trade on the basis of equal rights, had been increasing its trade with the USSR and other countries. In order to be permanently assured of markets for selling its products and of opportunities for buying goods that needed to be imported, the country's trade was being directed towards expanding economic relations with the USSR and other central and south-east European countries. At the same time, however, such relations could also be extended with the United States, the British Commonwealth, France and other countries. This policy had been made clear by his country's delegation to the Preparatory Committee which met in London in October 1946, and his Government's attitude in this respect had not changed. Moreover, this policy followed naturally from the country's geographical position. All these facts went to show that nothing had happened since 21 April 1948, (the date upon which Czechoslovakia became a contracting party), to justify the Government of the United States in terminating its obligations under the General Agreement.

The question brought before the Contracting Parties by the United States did not concern tariffs only, but was of a much larger scope and went beyond the General Agreement. According to the Charter of the United Nations, measures such as those taken by the United States were permissible only after a decision by the Security Council. Two questions arose: first, should a government be allowed to pursue its foreign policy by means of economic pressure; and, second, should a government be allowed to act against the fundamental principles of an international economic agreement on grounds foreign to the agreement and about which other parties were not entitled or competent to judge.

The principles of Czech economic policy had been reaffirmed at the Fifth General Assembly of the United Nations by the Czechoslovak Minister of Foreign Affairs. Czechoslovakia would always be in favour of developing its foreign economic relations in peaceful ways and in accordance with the principles of the Charter of the United Nations and the General Agreement. The Agreement in particular should be the instrument to ensure economic collaboration between nations. But these aims could never be realised if solemnly concluded agreements could be denounced unilaterally to serve the interests of one party. In his view, the memorandum submitted by the United States Government proved the unwillingness of that Government to act in accordance with these principles.

It was for these reasons that he requested the Contracting Parties to reject the request made by the United States.

Mr. André PHILIP (France) regretted that this situation had arisen, not only in relation to the two countries directly concerned, but also because of its impact on the General Agreement. The first question he felt compelled to ask was the relevance of any specific article of the General Agreement to the present case, and, directly connected with the answer to that question, the competence of the Contracting Parties to pass judgment on the whole matter. Articles XXIII and XXV had been cited as being relevant. For his part, he could not believe that Article XXIII could be applied, since that article covered the case of a contracting party which considered that a particular benefit which should accrue to it under the Agreement was being nullified or impaired, or that a particular advantage, resulting from the Agreement, was being withheld. He considered that neither party in this dispute had as yet referred to any clearly defined benefits or advantages but that, on the contrary, both parties had drawn attention to the entire situation, in its full complexity and including all aspects of their mutual relationship. Furthermore, Article XXIII provided that the Contracting Parties might institute investigations on any complaint brought to their notice under that article. He wondered how it would ever be possible to conduct such an investigation if it were true that the total relationship between the two countries was in question and not just one or several concrete cases for which Article XXIII was designed.

M. Philip felt equally sceptical about the applicability of Article XXV. This article provided that in exceptional circumstances not elsewhere provided for the Contracting Parties could waive an obligation imposed upon a contracting party. Although he would not deny that such exceptional circumstances had arisen, it was equally clear that it could not be a question of passing judgment on whether or not to waive one or other obligation, but that, on the contrary, the Contracting Parties were being requested to deal with a situation arising from a whole complex of questions. The very fact that the circumstances were of an exceptional character, not elsewhere provided for in the Agreement, should make it evident that no precedent relating to circumstances which were provided for in the Agreement could be created. The Contracting Parties were confronted with a complexity of political-economic relations between two countries which, in some of its constituent parts might be brought into connection with the clauses of the General Agreement, but to the totality of which the General Agreement could not be applied. It had struck him particularly that both parties had stressed this aspect of the matter which was perhaps the only point where they appeared to be in complete agreement. The economic relations between the two countries had, naturally enough, resulted from the imperfections of their political relationships. Both parties accused each other of taking measures, within their respective countries, which made normal trade relations between them impossible. Equally, both parties had stressed the general character of the measures taken, even if some particular measure had been quoted as an illustration. It would be quite impossible for the Contracting Parties to investigate the details of the accusations brought forward, and it would be equally impossible to pass judgment on the merits of the whole case as presented by either party. Should the Contracting Parties let themselves be led to undertake this task, there was no doubt in his mind that the most vehement

conflicts would arise between them and the government concerned. The conclusion was, therefore, inescapable, that the circumstances were "exceptional" and that the problem, because of its political-economic nature, could not be resolved under the General Agreement.

Listening to the speech by the Czechoslovak delegate he had come to the conclusion that the essence of that speech consisted in the realisation that the situation between the two countries had deteriorated to such an extent that the advantages normally accruing to countries under the General Agreemend had now disappeared. The Contracting Parties would do well to limit their investigation to the acknowledgment of this fact. They could only take note of the situation which had resulted from the deterioration of the entire relationship between the two countries. The conclusion could then be that, having acknowledged this state of affairs, it was not the task of the Contracting Parties to examine the question further, and that the only useful step they could take was to absolve the two countries from the mutual economic obligations they had undertaken towards each other under the Agreement. Since the entire relationship between the two countries was involved, the Contracting Parties could only express their sincere hope that this relationship would one day improve. He had found that the text of the United States proposal correctly acknowledged the implications of this situation, since it referred to "all the obligations" existing between the two countries.

Finally, M. Philip stressed the view that the present case could on no account provide a precedent under the Agreement which any contracting party could ever employ to resolve a particular problem arising in its relations with another contracting party. The General Agreement was a technical instrument to deal with technical trade problems; the question with which the Contracting Parties were at present confronted was of a different order altogether.

The discussion was then adjourned.

The meeting rose at 1 p.m.