

RESTRICTED

GENERAL AGREEMENT ON TARIFFS AND TRADE

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CONTRACTING PARTIES

Eighth Session

SUMMARY RECORD OF THE FOURTEENTH MEETING

Held at the Palais des Nations, Geneva, on
Tuesday, 13 October 1953, at 10.45 a.m.

Chairman: Mr. Johan MELANDER (Norway)

Subjects discussed:

1. Belgian Dollar Import Restrictions.
2. United States Restrictions on Dairy Products.
3. Reduction of Tariff Levels and the Creation
of a "Low Tariff Club".

1. Belgian Dollar Import Restrictions (L/157)

Mr. SUETENS (Belgium) explained that the Note in L/157 had been submitted in response to the joint statement of the Canadian and United States delegations (IC/W/21) requesting a report on the Belgian dollar import restrictions. That document described the scope of the measures taken by Belgium in February 1953, the details of which had been communicated to the CONTRACTING PARTIES in L/75 of 4 February 1953. It also contained statistical data on the evolution of BLEU imports from the dollar area. The salient points in that document were (a) that under the present control system dollar imports were practically free from restrictions, the exceptions being few and not absolute; (b) that the drop in dollar imports merely reflected a general fall in the imports of the BLEU during the period under consideration; (c) that the fall in the imports included in List B was essentially caused by the reduced demand for consumer goods, a general phenomenon affecting all goods in that category; and (d) that new measures of relaxation had been adopted after the application of the measures referred to in the Note of 4 February 1953. The measures which had been taken were considered to be in conformity with the undertaking given by the Belgian delegation at the Seventh Session, especially as they had been put into force within the promised time limit and given immediate publicity.

Referring to the Canadian and United States joint Note of 19 August 1953 enquiring about further measures contemplated by the Belgian Government regarding dollar imports, Mr. Suetens believed that the Note in L/157 and the explanation he had just given would have made it clear that any further measures which might be contemplated by the Belgian authorities would have but little effect on the trade between BLEU and the dollar countries, the volume of imports being at

present determined and limited by economic factors and not by administrative action on the part of the BLEU. Further improvements were admittedly possible and were desired by certain contracting parties; they would like to see more products added to List A in spite of the liberal treatment accorded them by List B, and it might be decided that the present regime be somewhat consolidated so as to be safeguarded from additional unfavourable modification. But the Belgian Government had not been content with the measures taken in February 1953, but had extended them without being obligated to do so, which attested to its readiness to advance whenever possible in the direction of freer trade.

Since the Sixth Session the balance-of-payments situation of Belgium had greatly improved as the exchange reserves had remained at a stable level and the dollar deficit had become negligible: about one-half billion Belgian francs in the first half of 1953. This favourable position was however attributable to factors related to fluctuations in economic activity. Dollar imports in the first half of 1953 were much lower than in the corresponding months of 1952, about 9.1 billion francs instead of 15.5 billion. Comparing the same periods, exports increased from 6.2 billion to 10.2 billion francs. In particular, wheat and cotton imports from the dollar area in the first six months of 1953 were far below the figures for the same period of 1952. Exports of steel products to the dollar area increased considerably during the first half of 1953, as a result of incidental factors, such as the strikes in the United States steel industry. Consequently, the Belgian Government could not consider the present structure of payments between the BLEU and the dollar area as sufficiently stable to warrant their relinquishing the relative security afforded by the maintenance of their present system of control. At the Seventh Session, the CONTRACTING PARTIES had approved the statement that "the Belgian Government feels that it is justified in proceeding cautiously in its return to a regime of freedom from quantitative import restrictions". That cautious policy had not prevented it from relaxing in practice measures which they desired to maintain in principle, and which were consistent with the liberal principles traditionally upheld by the Belgian Government and upon which their trading policy was founded.

The uncertainty weighing at present on the future development of the balance of payments of BLEU with the dollar area would undoubtedly be relieved if the revision of trade policy of the dollar countries, in particular the United States, could be reflected in a reduction of the obstacles in the path of exports to those countries. When the General Agreement was reviewed substantial modifications would be made in this regard. In the process of amending it, a new light would be shed on certain problems and a new definition of the trade policy of the various countries would be achieved.

Since the Netherlands Government were taking measures to liberalise dollar imports, it would be necessary for the Belgian and Luxemburg Governments to co-ordinate their policies with their Benelux partner.

In conclusion, and referring to the suggestion by the Chairman that contracting parties should consider the advisability of initiating a review of the General Agreement, Mr. Suetens stated that the Belgian Government considered that a revision of the Agreement was necessary. The experience of recent years had shown up its strength and weakness. His Government was fully aware of the value of this instrument, and of the sessions, as a means of maintaining law and order in international economic relations, and of relaxing restrictions as circumstances permitted. He recalled with appreciation the address delivered on that subject by M. Royer in Brussels. But the Belgian Government was also struck by certain flaws in the General Agreement, and notably by the disproportion between the rights and obligations of debtor countries on the one hand, and those of countries who had financial equilibrium on the other. The former had every liberty to defend their balance of payments by introducing the most rigid restrictive measures. The latter, i.e. the creditor countries, were not even entitled to have difficulties, and not only was no remedy provided for their case in the General Agreement, but they were prohibited from applying any remedies. When the problem of a revision of the Agreement arose, the Belgian Government would stress that point and would present concrete proposals. He deprecated the fact that Belgium which had always been in the forefront in putting her currency on a sound basis, liberalising her trade and proceeding to economic integration, should have been taken to task on three successive occasions for having adopted certain measures of re-adaptation and committed other minor offences. He hoped that under a revised Agreement, Belgium would be judged with more leniency.

Mr. ISBISTER (Canada) thanked the Belgian delegate for the information which had been provided and welcomed the re-affirmation of the Belgian Government's intention to pursue a more liberal trading policy. A year ago, the Belgian Government informed the CONTRACTING PARTIES of its intention to relax substantially its dollar import restrictions, as a first step in the direction of returning to a regime of freedom from quantitative import restrictions. The Belgian Government subsequently announced certain measures of relaxation to take effect on 1 February 1953. At the present session of the CONTRACTING PARTIES, the Canadian delegation had expressed interest in knowing how soon it would be possible for the Belgian Government to take further steps to relax its import restrictions which still remained in effect. In this connection it had also requested the Belgian delegation for a report on the present status of restrictions, including information on regulations in force and the policies pursued in administering these regulations. Mr. Isbister said he was glad to note that Belgian policy was clearly in the direction of relaxing restrictions. He expressed disappointment, however, that so little of a concrete nature had been said of Belgium's future intentions in this matter. He was disappointed, also, at the continued failure of the Belgian Government to provide detailed factual information of its measures, as a result of which other governments and the trading community as a whole were always uncertain of how particular cases would be treated. He requested the Belgian Government, therefore, to publish promptly and in detail information regarding its administration

of import restrictions. He proposed that informal discussions should be continued during the present session and that the item be included in the agenda of the Ninth Session, in the hope that by that time there would be no further problems to review.

Mr. BROWN (United States) recalled that at the Seventh Session, the Belgian delegate had stated that the relaxations envisaged were intended as a first step, and that they would have to be carried out with caution. The concrete steps taken had not led to any untoward developments and the Belgian situation had continued to improve. It had been hoped that encouraged by that experience, the Belgian Government would have made considerable progress in eliminating dollar restrictions. The United States trading community had met with the same difficulties that had been mentioned by the Canadian representative in knowing what products were prohibited from being imported into Belgium. He supported the suggestion of the Canadian representative that informal talks be held by the interested delegations with the Belgian delegation.

Mr. SUETENS (Belgium) said that his delegation would be prepared to enter into informal consultations with the United States, the Canadian and any other delegations who might so desire and would be prepared to supply explanations on any points which might require clarification.

It was agreed to retain this item on the agenda, pending the outcome of the informal talks between the Belgian and other delegations.

2. United States Restrictions on Dairy Products (I/154)

The CHAIRMAN proposed the adoption of the above Resolution by the CONTRACTING PARTIES.

Mr. BROWN (United States) stated that the United States delegation, as at the Seventh Session, would abstain from voting on the Resolution.

The Resolution was unanimously adopted by the CONTRACTING PARTIES, the United States delegation abstaining.

3. Report of the Intersessional Working Party on Reduction of Tariff Levels (G/53 and the "Low Tariff Club" Proposal of the Council of Europe)

Dr. BOTHA (Union of South Africa), in submitting the report of the Working Party, recalled that the question had been under consideration for three years. It had been initiated at Torquay in April 1951 when representatives of certain low-tariff countries had submitted proposals for reducing high

tariffs with a view to narrowing the gap of disparity between the tariff levels of contracting parties. At the Sixth Session, the French delegation had launched a plan for a general automatic reduction of tariffs by 30 per cent, and an Intersessional Working Party was asked to examine the two above proposals and any further suggestions likely to result in non-discriminatory reductions of tariff levels. At the Seventh Session a progress report was made to the CONTRACTING PARTIES (G/13) and the Working Party was reappointed to continue examination of the plans. The report now submitted to the CONTRACTING PARTIES contained as an appendix a report by a Sub-Group on the possibility of implementing the French Plan, which in its revised form took account of new ideas emerging from the discussions. The French Plan had now been transformed into eight rules specifying the commitments involved for the participating countries, taking account of new features resulting from its consideration by the experts of a number of contracting parties. The Sub-Group's report was a technical development of the French Plan which would give the contracting parties a clear idea of how the implementation of the French Plan would affect their respective tariffs. Another development since the Seventh Session was that a number of European countries had agreed in principle to the new approach embodied in the revised French Plan. In a communication from the French Government, transmitting a new draft in July 1953, it was stated that five European governments had considered that the French proposal afforded the best method to pursue efforts towards a general lowering of tariffs, provided that it were given world-wide application.

The considerations that led to that conclusion (see L/103) had a direct bearing on the task of the CONTRACTING PARTIES to examine the questions of principle raised by the French Plan against the background of the broader question of the adequacy of the present negotiating procedures.

Rule I of the technical development worked out by the Sub-Group embodied the principle of 30 per cent tariff reduction originally proposed, but provided for decreasing reductions in the sectors of tariffs whose average incidence was less than a certain figure, and no reduction would be required if the average incidence was below a certain level. That provision would go a long way towards meeting the difficulties encountered by low-tariff countries by narrowing the gap of disparity between tariff levels, as desired by the original Torquay group.

Rule III embodied the new idea, introduced in the Plan for the first time, of additional reduction of tariffs which exceeded certain agreed levels. This was also designed to meet requirements of the low tariff countries.

Rule IV provided for the selection of items for reduction in defined sectors of the tariff, so as to make it easier for certain countries to accept the scheme.

Rule V dealt with the binding period for all concessions made under the Plan. Acceptance of that principle would involve the binding for 5 years of both the average incidence and all reductions of duties made under the Plan. To meet exceptional circumstances, an escape clause had been introduced in this Rule. The CONTRACTING PARTIES would note that in the opinion of the majority of the Sub-Group, that escape clause should supersede provisions of Articles XIX and XXVIII of the Agreement; this rule represented a new approach to the problem of escapes from the freezing of tariffs. Rule VII, recognised that the tariff reductions made by industrialised countries might not be very attractive to countries exporting a few primary commodities and that lighter obligations should be imposed on those countries. The privileges granted to those countries might appear very wide, and yet, as members of the Working Party representing those countries were not in a position to express the views of their governments on the revised suggestions, it was difficult to state whether their countries would consider those concessions as adequately meeting the difficulties which they had pointed out during past sessions.

The Plan was not intended to displace the undertakings of the Agreement, but simply to provide for additional commitments. As indicated in paragraph 3 of the Comment to Rule IV, a country would be free to decide upon the method of effecting the reductions required of it. Unilateral reduction of tariffs would naturally be in order, and concerted action by a group of countries could also be taken under the auspices of the Plan, such as by European countries for solving the problem of tariff disparities and for promoting the integration of the European economy. On the other hand the present rules for bilateral negotiations might still be resorted to at least with certain other contracting parties.

The Working Party and the Sub-Group had passed no judgment either on the principles or the technical solutions which had been developed; there was, in general, agreement that further work would have to be undertaken in order to clarify and reach agreed formulae. Progress had, however, been made in the sense that governments now had before them a scheme which indicated, in definite terms, the actual commitments which acceptance of the Plan would involve for them, and a clear indication of the technical solutions to the various problems raised by implementation of the Plan. Progress had also been made in the sense that a number of European countries felt the Plan offered a fair promise of contributing to the solution of some of the main difficulties encountered in the conducting of tariff negotiations both in a European and a world-wide context.

In conclusion, Dr. Botha, proposed the adoption of the recommendation of the Intersessional Committee and agreed to the suggestion that discussion of the Plan at the Eighth Session could not in present circumstances be carried very far, as many governments would still require to make a thorough study of the impact of the application of the Plan on their tariff structure, before they could make definite commitments and Dr. Botha paid a tribute to

the members of the Working Party and of the Sub-Group, for their splendid work, and to the secretariat, particularly M. Royer, the Deputy Executive Secretary, for their valuable assistance.

Mr. JACCHIA (Observer for the Council of Europe) recalled that at their Seventh Session, the CONTRACTING PARTIES had had before them a request by the Council of Europe asking them to study the technical implications of the Plan for a "Low Tariff Club". At the present Session, the Council of Europe was asking the CONTRACTING PARTIES to take a new step and to study the questions of substance involved in implementing its plan for tariff reduction. The report by the Group of Experts of the CONTRACTING PARTIES on the technical aspects of the "Low Tariff Club" which had been forwarded to the Council of Europe last November, had been studied with great interest by the Committee of Ministers, and then by the Economic Commission of the Consultative Assembly. The general secretariat of the Council had published the report with an introduction and had circulated it widely amongst members of Parliament and organisations concerned. The Economic Commission had given close consideration to the report, the more so as they had noted amongst the membership of the Group of Experts the names of some of the most distinguished experts in customs matters. Having considered the ground had been prepared for a fresh step to be taken, they proposed to the Consultative Assembly the adoption of a draft resolution asking the CONTRACTING PARTIES to place the question on the agenda of their Eighth Session. That draft resolution was unanimously adopted by the Assembly on 13 May 1953, and its contents were communicated to the CONTRACTING PARTIES (G/46/Add.1).

In submitting the plan for a "Low Tariff Club", Senator Motz, rapporteur of the Economic Commission, had concluded by the following words: "The plan for a 'Low Tariff Club' may appear ambitious. It is in any case a large-scale one. It may be conceived under the provisions of the Convention in such a way that the achievement of its purpose may become more or less speedily apparent. It is, at all events, a plan which, in my view, is of paramount importance. I feel it is in the interest of the Council of Europe to consolidate its authority, prestige and credit, by devoting itself to a plan of that kind, precise and well defined, but having overall economic and social importance for all nations, and to pursue the task patiently and resolutely to a successful conclusion". In reply to a question, Mr. Jacchia, stated that the last resolution of the Consultative Assembly (L/156/Add.1) had been adopted on 24 September to express its gratification upon being informed of the favourable reception by the CONTRACTING PARTIES of its request. The Assembly expressed the hope that continued study of that matter be instrumental in achieving further substantial progress in the reduction of customs barriers. The Assembly were aware of the serious obstacles in the way of speedy achievement of that objective, and were ready to lend its support, even though the final accomplishment might not mean the integral application of its own plan. It was in that spirit that paragraphs 2, 3 and 4 of the Resolution of 24 September had been formulated and that the rapporteur of the Economic Commission had

stated: "The reception by the GATT conference of the request by the Council of Europe seemed to meet the recommendation formulated by the Consultative Assembly. The latter, as evidenced by the debates on the question, did not attach particular importance to the adoption by the States of the scheme for a "Low Tariff Club" in its entirety; they especially hoped that substantial tariff reductions would be adopted by the States in the very near future and along the lines of those advocated in its Plan".

M. PHILIP (France) recalled that when submitting to the Sixth Session of the CONTRACTING PARTIES the French proposal for a general reduction of tariff levels, Mr. Pflimlin had stated, in particular, that the French delegation were well aware that the undertaking in which they were asking the other contracting parties to take part involved serious difficulties; they agreed that their suggestions were open to improvement, and that the methods of application of the proposed scheme should be studied exhaustively; they hoped the other delegations would agree to take part in those studies, in order that the Plan might be the result of a concerted effort, common reflection and unanimous resolution.

Since that date, studies on the technical methods of application of the Plan had proceeded as far as possible, with the collaboration of all, as Mr. Pflimlin had hoped. The document now under consideration was the fruit of that collaboration. The general principles of the French Plan had been respected, but new suggestions by other countries had enabled a more concise form to be given to the Plan and certain gaps of the initial proposal to be bridged over. For instance, in its initial form, the French Plan which included on the part of the participating countries an undertaking to reduce by 30 per cent the average level of their customs protection according to the main sectors of their economy, had provided for specific methods only in favour of low-tariff countries or countries whose economic development was too inadequate to enable them to compete on an equal footing with the highly industrialised countries.

It became apparent in the course of discussions within the Sub-Group that the objective would not be achieved if countries, while carrying out reduction under the Plan, were allowed to maintain certain rates at a very high level, sufficient to paralyse trading in certain goods. The Working Party therefore devised the scheme of introducing into the document the concept of demarcation lines which the countries would undertake not to exceed. In the field of technical methods of application, substantial progress was made and agreement was reached on many points among the experts; it remained, however, for the CONTRACTING PARTIES to give their views as to certain technical aspects which were closely related to questions of substance.

The Plan as it now stood was however a practicable scheme which had been sufficiently examined to justify its submission to all the governments and to enable them to decide whether they would become party to the Plan. Thanks to the co-operation and initiative of the experts who had undertaken the successful study of such a delicate and complex problem, it was now possible to submit for consideration by the CONTRACTING PARTIES such a complete document, and the study had also been facilitated by statistical studies made by the secretariat in the tariff levels of the various member countries and the possible incidence of an application of the Plan. The Plan was now presented in a more legalistic form, and in such a way as to make it comprehensible to all whether or not specialists of customs techniques.

M. Philip was in agreement with the suggestion that the CONTRACTING PARTIES refer the study of the Plan to a Working Party and appreciated the assistance afforded by Germany, Belgium, Denmark and the Netherlands, which, together with the French Government, had agreed to submit the joint document L/103 which had served as a basis for discussion in the Working Party. The French Plan now had two specific characteristics: its automatic character, and its area of application. The principles of automatic application corresponded to a definite need; it had been noted that the machinery for tariff negotiations which functioned satisfactorily in 1947 in Geneva, and with growing difficulty at Annecy and Torquay, would no longer permit further progress, as tariff negotiations on a mutually advantageous basis as envisaged in the Agreement were becoming increasingly difficult, and, as multilateral negotiations were tending to degenerate into bilateral arrangements. A new formula had therefore become indispensable, obliging all countries to make tariff reductions, without, however, obliging them to make concessions having a direct and immediate effect on their economy. Old-style negotiations should of course be permitted and promoted, and the results obtained under them should be maintained, but it was to be anticipated that they would never be as effective as the results to be achieved by implementing the French Plan. Only a rule of automaticity could, in the name of a basic principle, overcome the barriers which no agreement reached on the basis of weighing compensatory advantages and disadvantages had hitherto been able to surmount. As regards fiscal duties the French Government continued to be convinced that in fully developed countries, all duties have protective effects, and that to make the Plan operative those countries must waive the concept of fiscal duties. Compromises were possible, subject to the condition that they did not deprive certain countries of the most obvious advantages which they might have anticipated.

The other distinctive characteristic of the Plan was its world-wide scope. From its inception, the Plan had been based on that concept, and aspired towards as widespread a lowering of customs tariffs as possible. Today, with the exhaustive study by the experts, it was all the more apparent that the application of the Plan must embrace all the contracting parties or at least all those which had an important share in world trade; for the possible abstention of some of these countries would introduce unjustifiable inequalities

between those who applied and those who did not apply the Plan. A country which did not participate in the Plan would, by virtue of the most-favoured-nation clause, benefit from all tariff reductions applied by the other countries within the frame of the Plan. The experts had been able to devise provisions for excluding from the Plan the products of which the principal suppliers were non-participating countries. However, although such a rule might make countries which exported only a limited number of products hesitant, it would have no effect on countries with large quantities of diversified exports. Their apprehension would be still less insofar as there was the inclination, even within the Working Party, to extenuate the rule for the exclusion of products supplied by non-participating countries.

To be effective, the Plan must have the participation of France, the United Kingdom, Germany, Italy, the Benelux, the three Scandinavian countries, the United States and Canada. Participation should mean application of all the provisions which constituted the Plan; there could be no intermediary statutes between participation and abstention, which would enable certain major countries to stand aside, giving some compensations for the most obvious advantages they would be automatically reaping through the most-favoured-nation clause. Countries which were full participants and bound by the procedure to reduce by 30 per cent the average incidence of their tariffs, could hardly find any useful basis for entering into negotiations with large producing countries who were disposed only to reduce their tariffs to a very limited degree.

Therefore the Plan had to take account of all the requirements of the CONTRACTING PARTIES and be acceptable also to countries in the process of economic development. The relaxations of the rigid rule in that connection were so marked, that some representatives wondered if those countries would not thereby be dispensed from all effort. France had, however, deliberately proposed in this regard to adopt two standards, so that each one would be asked to give in proportion to the "talents" he had received. As regards the fully developed countries, account should be taken of the special difficulties resulting from their economic structures, customs legislations and relations with countries outside of the membership of the General Agreement. The Plan as it stood was only a compromise, made possible by the mutual understanding and co-operation it represented.

M. Philip believed that the procedure now envisaged would enable governments to make pronouncements in favour of the acceptance of the Plan after it had been further examined by the Intersessional Committee, which, with the assistance of a working party, might evolve the Plan into a more definitive form.

Discussion on this item to be continued.

The meeting rose at 1.15 p.m.