

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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Ninth Session

## SUMMARY RECORD OF THE SIXTH MEETING

Held at the Palais des Nations, Geneva,  
on Thursday, 4 November 1954 at 3 p.m.

Chairman: H.E. Mr. L. Dana WILGESS (Canada)

- Subjects discussed:
1. Accession of Norway to the International Convention on Commercial Samples and Advertising Materials
  2. Italy/Libya
  3. Nicaragua/El Salvador
  4. United States Dairy Products
  5. United States Export Subsidy on Oranges
  6. Brazilian Internal Taxes

### 1. Accession of Norway to the International Convention on Commercial Samples and Advertising Materials

The CHAIRMAN read a telegram which had been received by the Executive Secretary from the Secretary General of the United Nations announcing that Norway had deposited on 2 November an instrument of accession to the International Convention on Commercial Samples and Advertising Materials. Six countries had thus acceded to the Convention and it was hoped that before long other accessions would occur so as to ensure entry into force of the Convention.

### 2. Italy/Libya (L/132 and Add.1)

Mr. ANZILOTTI (Italy) referred to the Second Annual Reports by the Governments of Italy and Libya on special customs treatment for Libyan products (L/232). The report by his Government clearly showed the favourable results of the special treatment for Libya. The imports benefiting thereby had increased. Only those which were of a temporary character arising out of the events of the preceding years had decreased, in particular scrap and non-ferrous metal refuse.

Mr. Anzilotti called attention to the request submitted by the Libyan Government to the Italian Government with a view to obtaining an increase in the quota of olive oil admitted duty free into Italy (L/232 p. 12, and L/232/Add.1). This request related to an annual quota of 1,000 tons of olive oil which the Libyan Government now asked to be allowed to increase to 2,500 tons a year until 31 December 1955. This request had been submitted to the Italian Government, which had decided to accept it in accordance with its undertaking to contribute towards the economic assistance of Libya. The Italian Delegation sought in consequence authorization to amend accordingly the Annex to the Decision of 9 October 1952.

Mr. ABDEL KAFI (United Kingdom of Libya) thanked the CONTRACTING PARTIES for the Decision of 9 October 1952. As the Italian delegate had pointed out, except for the exports that were of a temporary character, all other Libyan exports had recorded a steady increase following the application of the waiver. Despite the short time it had been in existence, Libya had benefited therefrom. The Second Annual Report of his Government (L/232) contained full information. Concerning Libya's request to the Government of Italy for an increase in the quota of olive oil for 1955, he explained that the production in 1954 had exceeded the estimated amount and followed upon two years of lower production caused by weather conditions. Although the amount requested was small, it was felt that considerable benefit would result to Libya. Furthermore, the nature and volume of trade in this commodity was not likely to result in injury to the trade of any contracting party. Italy had been the traditional market for Libyan olive oil over the past years. His Government was grateful to the Italian Government for contributing to the economic aid of his country by accepting this request and they looked forward to equally sympathetic consideration by the CONTRACTING PARTIES.

Finally, he wished to say that the Libyan Government, by taking advantage of the technical advice of the United Nations Technical Assistance Commission to Libya, the Libyan-American Technical Assistance Agreement and the Libyan Public Development and Stabilization Agency hoped to promote national production to a standard which would permit Libya in the near future to participate in international trade on a normal competitive basis.

The CONTRACTING PARTIES took note of the Second Annual Reports of the Italian and Libyan Governments.

Mr. DONNE (France), referring to the request to extend the quota, emphasized the interest that French North Africa and southern France, both large producers of olive oil, had in this matter. He understood that the purpose was only to contribute to the economic development of Libya and, to this understanding, the French Government had no objection to extending the waiver so as to permit an increase of the quota.

Mr. VASSILIOU (Greece) said that Greece, as an exporter of olive oil to Italy, was also interested in the matter. If he based his consideration only on the statistics given in the Italian report, the request for extending the waiver did not seem justified. According to these statistics, imports of olive oil in the first half of 1954 had only amounted to 515 tons, and it

did not therefore appear that the quota of 1,000 tons would be exceeded. However, in the interest of the economic collaboration of the countries of the eastern Mediterranean, he would support the request made by the Italian and Libyan Governments.

Mr. BROWN (United States of America) said that, under his present instructions, he was not able to agree to the extension of a preference which the present request entailed. However, in view of the case presented by the Italian and Libyan delegates, and since the extension of the quota was designed to dispose of a bumper crop and to last only for the period requested, he had asked his Government for authority to concur in the request. In the meantime, he would formally reserve the position of his Government. Mr. Brown remarked that he had been pleased to see that the measures undertaken under the waiver had contributed to the economic development of Libya.

The request to amend the Annex to the Decision of 9 October 1952 so as to permit an increase in the annual quota of 1,000 tons of olive oil to 2,500 tons until the end of 1955 was approved. A decision would be prepared for approval by the CONTRACTING PARTIES.

The representatives of Italy and Libya thanked the CONTRACTING PARTIES.

3. Nicaragua/El Salvador (L/233)

Mr. PORTOCARRERO (Nicaragua) referred to the Third Annual Report by the Government of Nicaragua (L/233) submitted in accordance with the Decision of 25 October 1951. The Report described both the monthly movement in Treaty products with statistical tables, and the prospects of exports and imports under the Treaty. When the establishment of the free trade area was discussed by the CONTRACTING PARTIES, concern had been expressed regarding the possible use of quantitative restrictions. In this connection he wished to call attention to the section of the report relating to the use that Nicaragua had been compelled to make of such restrictions in relation to exports of maize and beans to El Salvador. These measures had been necessary due to the exceptionally dry season in 1954 and, since maize and beans were the staple diet of the population, without such measures severe shortages would have resulted. The measures had been wholly eliminated by August 1954 and the texts of the decrees relating thereto were annexed to the Report. Mr. Portocarrero added that both Governments were satisfied with the mutual development of trade which had resulted from the establishment of the free trade area and he said that additions to the schedule of goods subject to free trade, contained in Annex A, of the Treaty were envisioned in the near future. The Nicaragua-El Salvador Joint Committee would meet before the close of the year.

The CHAIRMAN explained that El Salvador had been unable to send a representative.

Mr. BROWN (United States of America) expressed gratification that the Treaty seemed to be working so well. He was pleased to see that the temporary quotas on exports had been fully removed and encouraged to note the prospect of the addition of further products to the schedule of goods receiving free trade treatment.

The CONTRACTING PARTIES took note of the Third Annual Report by the Government of Nicaragua and of the fact that the operation of the Treaty appeared to be satisfactory both to the participating governments and from the point of view of the CONTRACTING PARTIES.

The CHAIRMAN suggested that the Government of Nicaragua might furnish certain additional information in its next Annual Report. It appeared from information available to the secretariat that, whereas practically all exports from Nicaragua to El Salvador were subject to the free trade provisions of the Treaty, a much smaller proportion of the imports from El Salvador into Nicaragua were subject to those provisions. In the Decision of 25 October 1951 the Government of Nicaragua undertook to include in its Annual Report "such additional information as would be of assistance to the CONTRACTING PARTIES". It would be helpful to the CONTRACTING PARTIES if Nicaragua could provide an analysis of the trade between the two countries in relation to the operation of the Treaty, especially that part of the trade not now covered by the Treaty and a list of the main products on which duties were still levied.

Mr. PORTOCARRERO (Nicaragua) said he was sure his Government would accede to this request in the preparation of its Fourth Annual Report.

#### 4. United States Dairy Products (L/268)

Mr. BROWN (United States of America) referred to the Report by the United States Government on action since the Eighth Session (L/268). During earlier discussions of this question, many delegations had urged that the United States take some action with respect to the level of price supports as a way of dealing with the basic problem of surpluses. A major step in that direction had been taken by the Secretary of Agriculture this year and he referred to the description contained in the Report of the Reduction in the level of price supports for milk for manufacturing and butter fat. The problem of surpluses could be approached either by the method of reducing production or that of increasing consumption and he thought contracting parties would agree that the latter was more desirable. The United States Government had also been taking steps to increase domestic consumption. They would like to see an expansion of consumption elsewhere in the world, and had been in touch with other governments in this effect. Thus a beginning had been made, as the Report showed, in coping with the basic problem, both from the point of view of supply and of demand. There had not been sufficient time yet to see any substantial results but the effects were beginning to be seen in a levelling off in production and an expansion in consumption of dairy products. There remained, however, substantial stocks and the United States Government still found it necessary to continue the restrictions.

Mr. SEIDENFADEN (Denmark) said that these developments within the United States in the dairy products field had naturally been followed most closely by the Danish Government and the Danish farmers. In all fairness, they would recognize that the steps taken were in the right direction. They would also agree that, if people consumed a more reasonable amount of dairy products,

there would be no surplus problem and no reason for quotas. It was a question of cost of production and prices. With Denmark's main export commodity, butter, for example, prices in the United States had been kept so high that butter was constantly losing ground to margarine and his country was convinced that if something were not done, the coming generations would eat only margarine. They believed that if prices in the United States were set at a reasonable level, not only would the total United States production be taken up, but there would be ample scope for imports of butter from other countries. Considering that such a development would be in the interest both of United States farmers and, even more so, of consumers, he could not but feel that the steps taken, as described in the report, were rather modest, and from a Danish point of view, and perhaps also from a GATT point of view, offered little consolation. The quotas were unaltered and for all practical purposes the situation was the same as last year. Although Mr. Seidenfaden would not repeat the arguments of preceding sessions, this in no way meant that the Danish Government was at all content with the present situation. On the contrary, they were increasingly distressed that this state of affairs was allowed to continue year after year. The outlook for Danish agricultural exports was darkened by the development of protectionist policies in many markets and this at a time when all were eager to work towards freer world trade and general convertibility of currencies. His Government felt that a leading trading nation like the United States had special responsibilities to co-operate in this general effort, and its action, or lack of action in the dairy field, so important to several nations, must be seen against this broader background.

The Danish Government therefore hoped that the CONTRACTING PARTIES would agree on a resolution addressed to the United States Government, in which it was made clear that, although some progress in the right direction had been made, the situation was still serious and that the CONTRACTING PARTIES must continue to urge the United States to live up to its obligations. His delegation would like to submit a draft resolution for the consideration of the CONTRACTING PARTIES.

Mr. JOHNSON (New Zealand) said that New Zealand, as a country having a major interest in export trade in dairy products, was naturally disappointed that circumstances did not permit the United States to make a more favourable report than that presently before the CONTRACTING PARTIES. The matter was important to New Zealand, not only because of the serious effect of such restrictions on its trade, but also because of the unfavourable impression of the Agreement created in the minds of people, who regarded such restrictions as materially limiting any value which the Agreement might otherwise have. His Delegation recognised that the United States had a problem, even if of their own making, difficult of solution. They recognised also the steps which the United States Government was taking with a view to removing the basic causes of the problem. Mr. Johnson hoped that it might be found practicable to take further action, possibly within the field of increasing domestic consumption, which might enable a relaxation within a reasonably early period of the restrictions and ultimately their complete removal. Although the report referred to a world commercial dairy surplus problem, he thought it would be agreed that the problem attached essentially to the United States.

In the meantime, the general position regarding the import restrictions and their effect on certain contracting parties remained much the same. Nullification and impairment of concessions within the meaning of Article XXIII continued to exist. The New Zealand Government had previously given consideration to the adoption of counter measures, but did not consider this a satisfactory procedure and thought that it should be left to the offending country to correct the situation. His delegation supported the suggestion that a Decision be adopted by the CONTRACTING PARTIES and that the United States Government be given the opportunity to report further before the next Session.

Mr. RATTIGAN (Australia) recalled that at the past two sessions of the CONTRACTING PARTIES, his delegation has referred to the harmful effects of the restrictions on dairy imports and associated measures on the trade of Australia among other countries. He was interested to note from the Report that the level of price assurance had been reduced. He also noted that production continued to exceed demand and that the United States Government still owned stocks. He further observed that certain amounts were being donated or sold at less than cost for welfare use in other countries. However, no substantial easing of the restrictions had resulted. While he would agree to the proposal of the delegate of Denmark for a resolution along the lines adopted at the last session in order to dispose of the matter on the agenda, his delegation might wish to refer to restrictions of this type during the Review of the Agreement.

Baron BENTINCK (Netherlands) referred to the ample discussions on this question at previous sessions. He had read with interest the report of the Government of the United States on developments since then. His delegation had noted that the United States was seeking solutions in the right direction, and had in effect taken some steps which might lead to a restoration of more normal competitive conditions. The Netherlands appreciated the fact that these had been taken in the face of considerable opposition. It seemed important for the CONTRACTING PARTIES to note that the United States had not disregarded altogether last year's recommendation on this issue. Nevertheless, his government was unable to show greater satisfaction at this time and hoped that further and more decisive steps would be taken as soon as possible.

The situation before the CONTRACTING PARTIES remained virtually unchanged. The quantitative restrictions on United States imports continued to be applied with the same severity and it would be over-optimistic to expect an elimination in the near future. This was regrettable.

Until more decisive domestic measures, allowing a real relaxation of the import restrictions were taken, it would be clear to the United States, as well as to other contracting parties, that the position of the Netherlands with regard to the applicability of Article XXIII remained unaltered.

Baron Bentinck supported the suggestion that the CONTRACTING PARTIES again this year should take action under that article and use their authority to urge the United States to liberalise its imports. In the present circumstances, the Netherlands wished again to request for a renewal for a renewal of the authorization obtained in the preceding years to suspend, on their side, certain obligations under the General Agreement, namely, to be allowed to apply a limit to imports of wheat-flour from the United States.

It was indisputable that the restrictions constituted a serious impediment to international trade. They were perhaps not the only restrictions of this kind in the world, but he wished to emphasise the importance, particularly now, of all contracting parties contributing wherever possible, and not only where there would be no resistance, to a maximum elimination of barriers to trade.

Mr. SAHLIN (Sweden) supported the adoption of the resolution as proposed by the Danish representative. The Swedish export trade, especially in dried milk, had been adversely affected by the United States restrictions. It seemed only fair that, when United States trade was not hampered by Swedish restrictions, Sweden should be allowed to maintain the trade which it had always carried on with the United States.

Mr. ANZILOTTI (Italy) appreciated what had been done to increase the consumption of milk and other dairy products in the United States, but understood nevertheless that the United States was not in a position to remove the restrictions in question. That being so, the Italian delegation could only express its disappointment once again, since by continuing to limit imports the difficulties of the Italian export trade to the United States persisted. The situation of dairy products was also difficult for Italy which had an important domestic production alongside of an increasing volume of imports. For these reasons the Italian delegation supported the proposals of other delegations for a Resolution, and associated itself with the hopes expressed for a solution of this question.

Mr. RICHARDS (Canada) said that the Canadian Government viewed with continuing concern the restrictions imposed and maintained by the United States on dairy products. The matter was of concern not only to the countries whose exports were affected but also to the CONTRACTING PARTIES as a whole, because of the question of principle involved.

The Canadian Delegation joined other delegations in welcoming the measure of flexibility introduced into the United States agricultural price support programme. The rigid price supports of the past, whatever their domestic implication, had certainly produced international difficulties. Whether the existing measure of flexibility could be expected to solve the problem was questionable, but it was an encouraging step in the right direction.

The United States paper suggested, that there was an imbalance in the world demand-supply situation. This, in the view of his Delegation, was true only insofar as there was an imbalance in the situation in the United States

itself. Apart from that, the world situation was not unsatisfactory. The United States Government was faced by a problem based on domestic policies and calling for a domestic rather than an international solution. The United States paper also suggested that their domestic problem was really a residue of wartime adaptation and dislocation. While this might be true, the time should nevertheless soon be past, if it were not past already, when it was reasonable for countries to explain departures from the basic principles of the Agreement in terms of the problems and policies of ten years ago.

Meanwhile the damage done by the United States restrictions to the trade of other contracting parties continued. There had been some adjustments in the restrictions since they were introduced in 1951, but his delegation felt that the level of restrictions on dairy products was, generally, unchanged and expressed their deep regret that, with these restrictions now in their fourth year, no substantial relaxation had taken place despite the hopes held out by the United States Delegation at previous sessions of the CONTRACTING PARTIES.

Mr. Richards did not wish to discuss all Canadian products affected, and would mention only "Cheddar Cheese", a product in which Canada was specially interested. In 1950, Canada had exported 3 million pounds of Cheddar cheese to the United States. Under the quota system that amount had been cut by more than eighty per cent. to a level of about half a million pounds. Indeed, the total quota for all countries was now less than the amount which Canada had exported to the United States in 1950. It was therefore clear that other countries in addition to Canada were being hurt by the quota on this product, and the same was true regarding the quotas on other dairy products.

The United States seemed to imagine that other countries would draw satisfaction from the fact that United States restrictions had not been intensified. However, other countries considered that they were entitled to look in the direction of relaxation and not of intensification. The Canadian delegate hoped that when next the United States reported to the CONTRACTING PARTIES on the subject, it would be to the effect that the restrictions had been removed or at least substantially relaxed.

The Canadian delegation therefore favoured the adoption of a resolution on the subject by the CONTRACTING PARTIES as proposed by the Danish representative.

The CHAIRMAN noted that while many delegates welcomed the reduction of the price supports, there was general support for the proposal for a Resolution made by the Danish delegate. The Netherlands Delegation had requested authorisation to maintain its retaliatory measures. He assured the Australian delegate that adoption of the proposed Resolution would not preclude dealing with this problem in the Review. The text of a resolution would be submitted for consideration at a subsequent meeting.

5. United States Export Subsidy on Oranges (L/265)

The CHAIRMAN recalled that when the Italian Government's complaint on the United States subsidy on the export of oranges had been discussed at the Eighth Session, the Chairman had noted, in conclusion, that consultations would continue between the United States and interested governments; he had also noted that the United States Government reported annually on subsidies in accordance with Article XVI. The Government of Italy had again asked for the inclusion of this item on the agenda.

Mr. ANZILOTTI (Italy) referred to the complaint concerning the United States subsidy on the export of oranges submitted during the Eighth Session, and to the conviction of his Government that exports of oranges supported by subsidies, such as those granted by the United States, would seriously injure Italian exports to its traditional markets. The CONTRACTING PARTIES had decided that the question might be solved in the spirit of Article XVI by direct negotiations between the two parties. Consultations, which began during the Eighth Session and were pursued through normal diplomatic channels, had not yet produced the result desired. In fact, during the 1953-54 season until July 1954, the United States had supported orange exports by subsidies of \$1 a crate, approximately 30 to 35 percent of the value of the Italian product for export. The subsidy had been suspended in July 1954 but it had been recently announced that it would be reintroduced as from 1 November 1954. The concern of the Italian delegation, therefore continued, and he requested that the question be maintained on the agenda, so that if necessary he could raise the matter again.

Mr. MEYER (South Africa) referred to the concern expressed by the South African delegate at the Eighth Session. Since that time discussions had occurred between his Government and that of the United States regarding the damage caused by the subsidy to the South African citrus industry but with no satisfactory result. The United States justified the subsidy on the ground that without it American producers would be unable to sell any oranges on the European market because of the shortage of dollars. As a result of the subsidy, however, South Africa had sold very little fruit even in markets where dollars were plentiful. His Government felt inclined to object when it found itself forced out of markets because of by the country which had tied its hands over preferential duties. During the period when the subsidy, because of a relatively short crop, had been suspended, South African sales had doubled and the gross prices had increased. This clearly showed the effect of the subsidy. The South African Government was concerned about the effect of its possible reinstatement. While he did not wish to anticipate any possible alterations to Article XVI, he would observe that countries which subsidized exports distorted trade patterns and obtained, more than their fair share of world trade. If such competition obtained, the advantage must be with the stronger countries. The United States was not alone in this dangerous practice which had such ill effects on the economies of smaller countries.

Mr. HADJI VASSILIOU (Greece) declared that Greece was in the same position as Italy and supported the proposal to maintain the question on the agenda.

Mr. RATTIGAN (Australia) said that, although his country was not directly affected by the subsidy, he associated himself with the views expressed by previous speakers. Australia felt strongly on the subject of export subsidies as, like other small countries, it could not enter into such competition. He favoured retaining the item on the agenda.

Mr. SINCLAIR (United Kingdom) associated himself with the views expressed, largely because of his country's interest in the dependent territories, in particular Cyprus and the British West Indies whose trade, especially in Europe, had been severely affected by the subsidy. He urged that everything be done to remove the subsidy. If consultations took place under Article XVI, his delegation wished to be associated in them.

Mr. BROWN (United States of America) referred to the explanations given by his delegation at the Eighth Session to the effect that the export payment programme was not designed to encourage or increase the production of oranges in the United States. It was solely designed to help American exporters regain a portion of the markets which they had previously won in conditions of free competition. They were prevented from competing in many markets by import restrictions. The subsidy was intended to be a partial solution to this problem.

It was true that there had been an increase in exports in the post-war period over pre-war, but the bulk of that increase was in areas for which no subsidy was granted and in which there was free competition, mainly in Canada. At the present time, exports formed a smaller proportion of total United States production than before the war. The United States share in European markets had increased since the war, but no more than Italy's and less than that of South Africa and many other countries.

The South African delegate had referred to the increase of prices upon the withdrawal of the American subsidy. This was hardly surprising, since, owing to a freeze in Spain and a short crop in the United States, few oranges were available from either country. In the United Kingdom where before the war both the United States and South Africa had supplied 15 per cent. of the market, South Africa now supplied 90 per cent. and the United States almost none. His country quite as much as South Africa, wished to see a return to a situation of competition. Mr. Brown shared the concern expressed by the Australian delegate regarding the distortion of trade patterns as a result of arbitrary restrictions. His delegation would have some observations to present on this subject during the Review.

The United States delegate pointed out that, even with the subsidy, American oranges sold for higher prices than other oranges and still found a market, obviously as a result of the competitive advantage of the American fruit. The United States had consistently reduced payments since 1949 from \$1.65 per box to \$1.50, to \$1.25, to \$1.00. The support payment provided for the next season was 75 cents a crate.

His Government had had consultations with Italy. One of the suggestions made by the latter in the course of these was that the payments be made seasonal. The barriers the payments were designed to overcome were not, however, seasonal.

Finally, Mr. Brown felt bound to observe that he could not understand that there was a legitimate basis for complaint by other suppliers. The United States was still offering oranges at higher prices and was not sharing in the increase in markets to the same extent as other suppliers. Should not consumers be permitted to exercise their choice, if it was possible to get round the dollar difficulty? The price paid to a seller in a market where quantitative restrictions prevailed was not a price he had earned. He would also point out that, although the United States maintained a subsidy, they did not provide special freight rate arrangements and other export incentives enjoyed by exporters elsewhere.

These remarks were made in an effort to put the case in perspective. The United States hoped that with the improvement in the economic situation, dollar restrictions would be eliminated. Such action would afford a basis for removal of this special assistance.

The CONTRACTING PARTIES agreed to retain the complaint on the agenda so that the Italian Delegation would be able to raise the matter for further discussion if they should so desire after consultations with the United States.

#### 6. Brazilian Internal Taxes

The CHAIRMAN recalled that the complaint that certain Brazilian internal taxes discriminated against imported products in a sense contrary to the provisions of Article III had first been brought to the CONTRACTING PARTIES by France, the United Kingdom and the United States, at the Third Session.

The resolution adopted at the Eighth Session (BISD, Second Supplement, page 25) urged the Government of Brazil to amend the existing laws so as to bring them into conformity with the General Agreement and to report on action taken.

Mr. MACHADO (Brazil) regretted being unable to report that any action had been taken by his Government on this complaint which had been on the Agenda for so long. The seriousness of the case lay less in the material disadvantage to France and other countries than in the fact that Brazil should have complied with the recommendations of the CONTRACTING PARTIES and had not been able to do so. In actual fact, there had been no concrete case recently of this actual discrimination being applied to imports into Brazil. Moreover, commercial relations with France were better than ever before; French exports to Brazil had changed in character from non-essential to essential goods and the establishment of a mixed commission was being considered.

His delegation admitted, however, that from the point of view of the Agreement, the situation was not satisfactory. The Brazilian Executive had placed a draft law, as recommended by the CONTRACTING PARTIES, before the legislature, but the latter had taken no action thereon. There were particular difficulties in Brazil. The Brazilian tariff dated from 1923 and contained many specific duties. Whenever matters relating to particular aspects of the tariff were placed before the legislature, the general question of the whole tariff structure was invariably raised. The Brazilian Government had decided to deal with the problem in its entirety and, with this object in view, was now engaged in revising its tariff. His Government assured the French delegation and the CONTRACTING PARTIES that among the particular questions which the general review of the tariff was intended to settle was the subject of the complaint presently before the CONTRACTING PARTIES.

Mr. Machado expressed the deep regret his Government felt at being unable to give at the present time satisfaction on this matter. The continued existence of such failures to comply with the terms of the Agreement was detrimental to the prestige of the CONTRACTING PARTIES. His Government admitted that Brazil was at fault, and recognized the right of the injured parties, such as France, to have recourse to Article XXIII. He reiterated the hope of his Government that the complaint would be settled as a result of a solution of the entire problem of the tariff structure.

Mr. DONNE (France) recalled that this complaint dated from 1949. Its continued existence did not facilitate the task of the French administration, which was harassed by exporters who were unable to understand the fact that the General Agreement had not resulted in a settlement. His Government had hoped that the matter would be settled at this Session and he was distressed by the statement of the Brazilian delegate, according to which it appeared that there was no longer any question of submitting a law to abolish the discrimination to the legislature. He asked the Brazilian delegate whether, in fact, his Government had definitely rejected the solution by means of a law, such as the draft prepared in Torquay. The Brazilian delegate had stated that his Government expected to solve the matter by modifying its tariff. He did not understand how a modification of the tariff could eliminate the discrimination in the application of internal taxes. Mr. Donne would like to consult with the Brazilian delegation on the nature of the tariff modifications envisaged, in order that he might ascertain whether they would really be effective. He requested that the item be retained on the Agenda.

Mr. MACHADO (Brazil) replied that he would be pleased to give all possible information so as to demonstrate that the measures envisaged by his Government would put an end to the existing discrimination. He was unfortunately not able at this stage to provide details of the new tariff. However the message from his Government was specific and to the effect that definite measures were in hand to end the discrimination. The Brazilian Government felt that there was no other solution possible than to present this particular matter to the Chamber of Deputies as part of a plan relating to the whole tariff structure. All isolated efforts had failed. Detailed discussion of this question had taken place in his Government since the Eighth Session and he repeated his assurances that the Brazilian Government was particularly concerned at the moral aspect of the case and much regretted its inability to give a solution now.

Mr. SINCLAIR (United Kingdom) said that the United Kingdom was also a complainant. Although he sympathized with the difficulties in honouring undertakings experienced by countries whose legislature was so separate that it was not possible for the executive to obtain approval for measures, nevertheless his Government regarded with the gravest concern the appearance of an item on the agenda year after year. The United Kingdom did not wish in a case of this kind to have recourse to retaliatory measures, which were an unsatisfactory solution and weakened the Agreement. However, if it proved impossible to reach a solution there might be no alternative.

Mr. MACHADO (Brazil) said that Brazil had recognized the right of injured parties to retaliate. He reiterated his assurances that his Government was taking steps which it believed would settle the matter.

The CONTRACTING PARTIES took note of the statements by Brazil. The item would be retained on the agenda and the delegations concerned would report on their consultations.

The meeting adjourned at 6.15 p.m.