

GENERAL AGREEMENT ON TARIFFS AND TRADE

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SUMMARY RECORD OF THE SIXTEENTH MEETING

Held at the Palais des Nations, Geneva,
on Tuesday, 16 November 1954, at 10.30 a.m.

Chairmen: H.E. Mr. L. Dana WILGROSS (Canada)

Subject discussed: Review of the Agreement: Second topic - Tariffs, Schedules
and Customs Administration.

Tariffs, Schedules and Customs Administration

The CHAIRMAN announced that the discussion of the questions under the second topic, Tariffs, Schedules and Customs Administration, should first be a general discussion and, only at the end of this, should the discussion refer specifically to economic development. Reference had already been made to the question of extending the assured life of the schedules to 1957. Reference had also been made, generally indicating support, to the procedures that had been suggested for the renegotiations.

Mr. ANZILOTTI (Italy) recalled that the Italian delegation had already spoken in favour of the extension until 31 December 1957 of the schedules, as this would confer a further period of stability on the rates for over 88,000 items in the tariffs of the contracting parties. He also thought that the proposal to renegotiate certain items, to meet urgent situations and where there appeared good reason, should be favourably considered. Such negotiations should be kept within narrow limits so as not to prejudice the ensemble of reductions and bindings which formed the most valuable achievement of the Agreement.

With regard to proposals to amend Article XXVIII, the Italian delegate thought great care should be exercised, and it should not be forgotten that this Article was one of the corner stones of the Agreement. It was preferable not to enlarge the possibilities of changing bound rates. In connection with the procedure to be followed for the reduction of tariff levels, the views of his Government had already been given to the effect that the system heretofore in use should be followed without, however, excluding the eventual adoption of new methods. The careful work of experts of different countries on the proposals relating to the automatic lowering of tariffs had left open, in his view, a number of important points and a re-examination of the whole basis of the question was required. For any such system to be acceptable, it would have to be accepted by all countries with an important position in international trade. A study of the question should also take account of the requirements of the economic and social structure of countries who were to adhere. The Italian delegation did

not think it necessary to insert in the new Agreement a specific undertaking by contracting parties to negotiate for the reduction of customs duties. Both the preamble and the spirit of the Agreement laid down the principle that the development of international trade should be attained by tariff negotiations in accordance with the procedures already established by the CONTRACTING PARTIES.

The technical questions might, Mr. Anzilotti thought, best be left to the Working Party.

Mr. HAGEMANN (Federal Republic of Germany) considered that the stability of customs duties gained from the schedules of concessions was of great importance and, therefore, the schedules should be prolonged, perhaps until 31 December 1957. His delegation also agreed with a number of other delegations, that alongside this stability, a certain amount of flexibility was indispensable to enable contracting parties to meet situations of crisis and other exceptional cases.

Article XXVIII did not seem appropriate for this purpose in its present form, and his delegation thought it would be advisable to incorporate in the Agreement the sympathetic consideration procedure adopted at the Eighth Session and elaborated by the Intersessional Committee.

Underdeveloped countries should, in the opinion of the German delegation, be granted, for a transition period and under certain conditions, certain facilities to raise bound rates. One of the conditions should be that such countries be obliged to present on a wide basis their programmes for development and raising standards of living; such programmes should be well conceived and based on realistic considerations. Furthermore, the countries concerned should be obliged to pursue a healthy monetary policy and renounce inadequate monetary manipulations.

Mr. JHA (India) agreed with a number of speakers who had expressed a desire that the new Agreement should maintain the stability of tariff schedules while introducing an element of flexibility and room for adjustment where necessary. It was important to decide on a precise mechanism. He suggested it might be possible to arrange, at the same time as the Japanese negotiations, for re-negotiations by countries wishing to adjust certain positions in their tariffs. A major obstacle to the extension of the validity of the schedules might thereby be removed as countries would be able to judge the exact situation before the expiry date of 30 June 1955.

Mr. DIAS CARNEIRO (Brazil) pointed out that the two fundamental principles of the Agreement, unconditional most-favoured-nation treatment and tariffs as the only permissible instrument for the regulation of international trade, were both essentially juridical and not applicable to the diversity of economic structure of the various contracting parties. Unconditional application of the most-favoured-nation clause was only possible, to mutual advantage, if the international economy were modelled upon the hypotheses of classical economics. Under the most-favoured-nation principle, the Agreement inconsistently recognized the institutional element of the co-existence of two groups of contracting parties: one which accepted obligations under the unconditional clause and another which had the privilege of applying that clause conditionally. The Brazilian delegation wished to draw

particular attention to the concept that the tariff was the competent instrument for the regulations of international trade. The Agreement failed to recognize the possibility of different effects of a tariff when applied in underdeveloped countries and in highly industrialized ones. Based, as it was, on these two principles the Agreement tended to perpetuate the state of underdevelopment, by assuming that countries with a different economic structure, starting at a different level of national production, acquired equality simply because the Agreement guaranteed them juridicial equality of treatment vis-à-vis industrialized countries.

The Agreement moreover was based on considerations of short run static price equilibrium, rather than of long run dynamic disequilibrium. This tended to prevent access to the expanding market of underdeveloped countries which intended to develop their present internal resources. If a permanent, and not simply exceptional, solution were sought by the underdeveloped countries, which entailed substituting internal production for the present imports, this did not find the support of the Agreement. By including rules of a permanent character, the future agreement might contribute to the adequate solution of these problems and thereby assist in the continuing evolution of the underdeveloped countries. It might thus acquire the necessary flexibility to cope with a dynamic situation and promote the long run expansion of international trade.

With this in mind, the Brazilian delegation considered that the principle of equivalent tariff concessions, when negotiated between industrialized and underdeveloped countries, should be interpreted on a more realistic basis. In this connection he emphasized the economic inequality between countries who now wished to protect their infant industries, and countries which no longer needed such protection, but had in fact provided it at a time when international obligations did not stand in the way. Equivalent tariff concessions could not be insisted upon between countries where the effects of the tariff were different. Mr. Dias Carneiro called attention to the high income elasticity of demand for imports in underdeveloped countries, as compared to the situation in industrialized countries where the prices of their imports, mainly raw materials, were largely determined by the demand existing in those same countries. This structure resulted in a constant deficit in the balances of payments of underdeveloped countries, since their propensity to import manufactured goods was higher than their capacity to do so. In industrialized countries, on the other hand, the situation was the reverse; a chronic surplus existed in their balances of payments with underdeveloped countries. On the basis of these technical considerations the Brazilian delegation considered that the new Agreement should recognize the fundamental difference between the effect of a tariff when imposed in an industrialized country on raw material imports, and when imposed in underdeveloped countries upon manufactured goods. The principle of equivalent concessions when applied on exclusively monetary terms was inequitable and must be replaced by the establishment of a promotional tariff, applied in underdeveloped countries so as to give priority to the importation of investment goods which would lead to an increase in their national product.

Finally, the new agreement should recognize the right of underdeveloped countries to transpose their specific tariffs to an ad valorem basis, when threatened with inflation, without granting compensation.

Brazil did not support suspending for a further period the application of Article XXVIII. His government did not, however, intend to renegotiate concessions. Brazil's interest was to obtain a general rule on tariff concessions based on the considerations outlined above.

Mr. HADJI VASSILIOU (Greece) stated that Greece had been faithful to the spirit of the Agreement, as was particularly evident in its action to eliminate completely all import restrictions. Since his country was, however, alone in abolishing import restrictions to this degree, and hence had renounced part of its defensive possibilities, it wished now to attempt the support of its new and developing industries by tariff methods. The Greek Government favoured the stability which was so beneficial in international commercial relations. Nevertheless, this stability must be accompanied by flexibility, and one form flexibility could take would be periodic renegotiations of the items bound in the Schedules. This was to be hoped for through a recasting of Articles XXVIII, XVIII and, possibly, XIX. This would nevertheless be a slow procedure, since a majority of two-thirds followed by ratification was required to put such amendments into force. For this reason, he suggested that the case of Greece might be met by a transitional provision, perhaps in the form of a protocol, from which other states in the same situation could benefit. Greece wished to re-adjust immediately a considerable part of its bound tariff. Its reason for this were firstly, that at Annecy and Torquay Greece had agreed to the bindings under the stress of exceptional circumstances; secondly, it had not received equivalent concessions for all the items bound; thirdly, it was now proposed to extend the initial bindings under the Agreement, originally negotiated for the period 1947-49 and prolonged, first to 1953 and then to 1955, for a further period until 1957. Without readjustment, this was impossible for the Greek Government. Fourthly, Greece was carrying out a programme of economic development which entailed a certain degree of industrialization that could not be achieved without some tariff protection (in the absence of quantitative restrictions); and finally, Greece intended to introduce a new tariff on the basis of the Brussels nomenclature.

Mr. Hadji Vassiliou stated that if he were unable to obtain a transitional provision, his Government would be obliged to present the Greek case as a special one, a procedure it would find regrettable, not wishing to fill the Agreement with special or exceptional situations.

Mr. BELFRAGE (Sweden) recalled that the Swedish delegation had often stressed the importance which Sweden attached to a further reduction of tariffs and a better balance between present tariff levels. Concerning the question of the stability of tariffs, the Swedish Government was unreservedly in favour of maintaining this stability. It was apparent, however, that it would be unrealistic to believe in the possibility of a flat extension of the assured validity of the tariff concessions, as many countries could not agree to a new rebinding without some alterations. The need for renegotiations should be recognized; such renegotiations to take place before the expiry of the validity of the schedules, and Sweden would be prepared to participate in them. The new concessions should be bound for a considerable period, during which the provisions of Article XXVIII should again be suspended in order to assure continued tariff stability.

As to the negotiating procedures, the bilateral exchange of concessions within a multilateral framework had given good results in the past, but was now becoming steadily less conducive to a reduction of tariff levels. This fact was particularly obvious to low-tariff countries like Sweden, whose bargaining power under that system was practically exhausted. Sweden had, therefore, been interested in the attempts made since Torquay to find other means of bringing about a more reasonable balance between the tariff levels of the various contracting parties and had supported the working out of a system for more automatic multilateral tariff reduction.

The Swedish delegation had submitted proposals to make participation in tariff negotiations mandatory for contracting parties. His delegation had also suggested that the Havana Charter principle, whereby the binding of low rates was equivalent to a substantial reduction of high rates, should be incorporated in the revised agreement.

Mr. Belfrage emphasized the interest of his Government in further attempts for the reduction and levelling of tariffs and their preparedness to take part in the technical elaboration of the project for a multilateral system. If it proved impossible to reach agreement upon this particular plan, every effort should be made to find other ways of reaching the same goals.

Mr. MATSUMOTO (Japan) felt that the General Agreement had done much towards lowering and stabilizing tariffs, but that much still remained to be achieved in that field. He referred to the statements that the relaxation of quantitative restrictions should be accompanied by efforts to reduce tariffs and other trade barriers. A reduction of tariffs under the General Agreement had been brought about through complex tariff negotiations and there was no doubt that multilateral negotiations were the best means of ensuring tariff reductions and stabilization. It was to be noted, however, that low tariff countries had practically exhausted their bargaining power and had little scope for further concessions; large-scale tariff negotiations had become less attractive to them. Mr. Matsumoto said he would like to see a provision similar to Article 17:1 of the Havana Charter enabling negotiations among only a few countries, incorporated in the new agreement.

He supported the new approach proposed by France although a number of technical difficulties had to be solved before such a plan could be put into operation. For example, both the calculation of the average incidence and the determination of the demarcation line would require consideration. He suggested that the Working Party might consider the inclusion in the new agreement of a provision establishing a ceiling of tariff rates for each country at 40 per cent ad valorem c.i.f. of any imported goods. Numerous proposals had been made (viz. the French plan, the Low Tariff Club and the Rendall Commission of the United States), for the establishment of a ceiling for tariff rates, and hoped that some such idea would come into office among the contracting parties, and a date set for the start of such a system.

Mr. PLUMPTRE (Canada) said that the Canadian Government supported a general rebinding of tariffs until the end of 1957, but was interested in the suggestion put forward by the United States for permanent binding. His delegation was also attracted by the suggestion made by the President of the Board of Trade that, even if tariffs were bound for a long period, it should always be possible to suspend

the binding during rounds of tariff negotiations. The suggestion made by the delegation of India for any renegotiations to take place at the same time as the Japanese negotiations seemed useful.

The delegate of Brazil had referred to the conversion of specific to ad valorem rates. While he fully sympathized with Brazil's problems, he felt that any suggestion that a country should be entitled to increase the incidence of its tariff rates would be a dangerous step in the wrong direction.

Mr. ENDERL (Austria) concurred in general with previous statements. Austria would have to renegotiate some items contained in the Austrian Schedule. A new tariff law had replaced the 1924 tariff and circumstances had thus changed since the Austrian schedule was negotiated in Torquay. He hoped that sympathetic consideration would be given to the Austrian case.

Mr. DOMINIQUE (Haiti) considered that Greece had established the existence of a case meriting special treatment and that such treatment should be available for other countries where necessary. The German proposals, particularly as they affected underdeveloped countries, merited attention.

Haiti was not opposed in principle to the prolongation of the schedules; and in fact, thought it would be regrettable to abandon the results thus far achieved. His Government considered, however, that in certain cases some positions in the schedules required renegotiating. Article XXVIII in its present form was unsatisfactory to underdeveloped countries. Mr. Dominique considered that when parties to a negotiation were unable to reach an agreement, the organization should have the power to arbitrate, bearing in mind the need for a reasonable interpretation of the rule of equivalent concessions. This rule should be interpreted in the sense of equivalent sacrifices by each country, taking into account the total value of their imports and the relative cost of the concessions to the economy of each country concerned. The present procedure was unjust since it did not take into account the relative position of the different contracting parties. Mr. Dominique referred to his earlier remarks on the distinction between protective and fiscal tariffs. Negotiations for reductions should also relate to preferential rates. Where reductions had been agreed to, the countries concerned should also take measures concerning quantitative restrictions. Mr. Dominique referred to the Benelux proposals (document L/271, New Draft Article, paragraphs 5 and 6) concerning the reduction of the incidence of duties by underdeveloped countries. This proposal appeared to him satisfactory in principle and should be taken into account when discussing a reduction of customs tariffs. Neither fiscal duties nor duties on products coming within economic development plans should be subject to the new procedure envisaged.

Mr. VARGAS GOMEZ (Cuba) said that in considering flexibility of tariffs for undeveloped countries, the importance of economic development for the stabilization of world economy and the increase of international trade was frequently invoked as a fundamental argument. This policy exerted a powerful influence over the economic activity of today which required constant expansion if the necessary equilibrium were to be attained.

It had been recognized that the highest degree of possibility of increase in international trade did not exist in nations with a highly developed economy, having diversified domestic production in industry and agriculture. In fact tariff reductions and the elimination of other barriers in those countries would not produce the necessary degree of expansion in international trade, which could mainly be attained by the creation of new markets, and increasing the purchasing power and national income of the underdeveloped countries.

The desire expressed by various European countries that tariff levels in the United States of America should be reduced seemed capable of producing some results. But in the long run, Cuba considered the wiser course would be to develop the markets of the backward areas which, despite their dense population, had limited consumption capacity on account of the low level of their real income. This might satisfactorily solve many of the world's problems, and thereby expand international trade to undreamt-of proportions, while avoiding the contradictions that arose between the trade policies of the highly industrialized countries whenever a readjustment of the existing markets was necessary to meet the ever-increasing requirements of their internal production.

This explained why economic development had become a paramount objective of the United Nations and a fundamental principle of this Organization. It was, therefore, impossible to understand why the underdeveloped countries had been taxed in the general debate with seeking a privileged status in the agreement. They were, merely seeking application of the international economic principles which had been universally recognized as indispensable if the world were to witness a progressive pace of economic activity and constantly increasing volume of production, investment, employment and demand in all countries, including insufficiently developed areas.

In analysing tariff flexibility, the arguments concerning economic development were not the only ones. The other aspect of the problem which related to the position of insufficiently developed countries within the agreement vis-à-vis highly industrialized countries dealt with the benefits granted and received by the former within the framework of the General Agreement.

The position of insufficiently developed countries within the structure of the General Agreement was a peculiar one. In general terms, the Agreement, which condemned the use of quantitative restrictions, nevertheless permitted them in frequent cases against agricultural products. It implicitly classified international trade into two main groups, giving definite protection to exports of industrial products and leaving exports of agricultural products without protection and even exposed to the effects of quantitative restrictions and other barriers.

If it were recalled that a very large percentage of the exports of the majority of underdeveloped countries was made up of agricultural products, it would be seen that for these countries not only was it difficult to expand their trade with the contracting parties, but to maintain the present level of their exports to them.

It should also be remembered that underdeveloped countries were as a rule mono-producers and that their main exports were composed of two or three agricultural products or raw materials which they were able to sell abroad. Therefore from the point of view of tariffs, their bargaining power was weak.

It went without saying that the lack of adequate protection against the use of quantitative restrictions on agricultural products nullified the value of tariff reductions which might be obtained through negotiation. But even where the tariff reductions had a relative value, the tariff concessions which the underdeveloped countries with their limited range of exports might obtain within the Agreement were not so valuable for them as those received by the industrialized countries whose exports were diversified.

The underdeveloped countries, by acceding to the General Agreement, were fettered by the severe obligations of keeping their markets open to absurd industrial products, in exchange for which they enjoyed no protection for their basic exports, and received tariff concessions of doubtful value. When these countries requested some tariff flexibility or other exceptional treatment to protect their economic development, they were told that they were seeking a privileged position and trying to deviate from the main principles of the Agreement. That attitude seemed hardly reasonable.

If no rules within the Agreement could protect the basic exports of the majority of underdeveloped countries against quantitative restrictions and other barriers; if tariff concessions were not of any great value because their efficacy was nullified by the existence of restrictions and the limited number of products they exported; it hardly seemed excessive to ask that, in exchange for accepting the obligations under the Agreement, these countries should be permitted to protect their economic development through controlled procedures of tariff flexibility and the use of other restrictive devices.

The Minister of Finance of Cuba had made the position of his Government clear during the general debate. Cuba would propose that the period of binding of schedules be limited to two years, to combine the principle of tariff stability with the flexibility required by the underdeveloped countries. The intersessional procedure for adjustment of tariff concessions in exceptional circumstances should be maintained, amending, to that effect, Article XXVIII, or retaining the procedures adopted at the Eighth Session. Cuba was in favour of modifying Article XVIII and supported the proposal by the secretariat to extend the facilities and special assistance granted for economic development not only to the establishment of new industries but to the maintenance and development of already existing industries.

It would be indispensable to preserve integrally the facilities provided for under Article XXVIII for tariff adjustments, once the period of binding was over. If the proposal to eliminate from the procedure under Article XXVIII the unilateral faculty of modifying or withdrawing concessions were accepted, a different situation might arise for many contracting parties and might mean a serious menace to the future of the Agreement itself. The question of adequate compensation and the right to withdraw substantially equivalent concessions, as a retaliation measure under Article XXVIII, had produced serious differences. This faculty should be controlled, or differences that arose should be submitted, for arbitration by the CONTRACTING PARTIES. It was obvious that through inconsiderate retaliation measures, the facilities afforded by Article XXVIII could become meaningless.

Finally, a certain phenomenon had not been considered within the framework of the General Agreement. He referred to countries with low specific tariffs which had granted tariff concessions on the basis of a determined protective incidence, in accordance with the level of prices existing at a given time. Price levels having subsequently risen, the protective incidence considered indispensable for the preservation of certain national industries had disappeared or was seriously affected. He proposed that the CONTRACTING PARTIES consider how this inequitable situation might be corrected by specific procedures.

The above measures of tariff flexibility would create within the General Agreement a better balance between the positions of highly developed and insufficiently developed countries, and between the mutual concessions granted. In exchange for maintaining a liberal policy on their import markets, the insufficiently developed countries should be granted these legitimate exceptions.

Mr. LOUW (South Africa) reiterated his view expressed at the Plenary Session, that Article XXVIII should be revised to provide more flexible procedures in tariff negotiations. The plea of South Africa for flexibility in respect of bound tariff rates was in proportion to its demand for strengthening the rules relating to quantitative restrictions. On the previous day he had opposed the granting of greater latitude to insufficiently developed countries to impose quantitative restrictions for protective purposes and that objection also applied to bilateral quota agreements. The question should be asked, were the countries which were asking for new tariff negotiations ready to eliminate quantitative restrictions. Tariffs constituted the only legitimate measure of protection under the Agreement even for underdeveloped countries. The delegation of South Africa was not in favour of the proposals that tariff concessions negotiated under the Agreement be automatically extended after 30 June 1955. The majority of tariffs negotiated dated as far back as 1947 and the structural changes which had occurred in many of the countries led to calls for adjustment in their bound tariff rates, with a view to granting adequate measures of protection to their new industries. The need for such adjustment had hitherto not been so apparent because contracting parties had been employing import restrictions for the protection of their home industries. These restrictions should now be dismantled. If countries wished to protect their industries, they should do so by tariffs, not by import restrictions originally intended to deal with balance-of-payments difficulties. Countries wishing to abandon import controls should be authorized to renegotiate their tariff rates under Article XXVIII before the validity of the tariff concessions was further extended. An appropriate procedure should be retained until an article was formulated which would enable contracting parties so desiring to approach the Organization to negotiate such modifications as might be deemed necessary for the protection of their industries.

With the progressive removal of import restrictions, the South African Government wished to review its tariff policy in order to consider granting certain industries some measure of relief from foreign competition by means of tariff protection. South Africa would not be prepared to extend the assured life of its tariff concessions beyond June 1955 unless facilities were provided for certain modifications in its schedules.

Mr. TAFAZZAL ALI (Pakistan) remarked that Pakistan had special difficulties. At the time tariff concessions had been negotiated, it had not been possible to envisage the course of development of the economy and it was now found that substantial readjustments of the tariff rates were necessary. The present procedures for tariff negotiation were too slow. He agreed with the difficulties already remarked on in the notion of equivalent concessions. Before any decision was taken to extend the tariff schedules, an opportunity should be given for contracting parties to decide whether they wished to renegotiate their tariff concessions or to extend the existing ones.

Mr. CRAWFORD (Australia) said that the type of problem involved by tariff bindings had already been explained. The emergencies which might develop for industries in course of development could at present be dealt with under Article XIX. He had been interested that the Union of South Africa was clearly conscious of the same problem as his own country, and there seemed at present no other way of meeting the difficulty than by Article XIX. Regarding Article XXVIII, the delegation of Australia had not felt there was any need for a change but would be ready to examine any proposal in the light of the extent to which its own problem on bindings was found to have been met under Article XIX.

Mr. PHILIP (France) referred, within the context of economic development, to a question that related both to tariffs and quantitative restrictions. The French delegation to the Economic and Social Council had stated that it considered the GATT as the best forum for the discussion of problems of economic development. The French Minister of Finance had already stated that, in renegotiating the Agreement, account must be taken of the large problems of the world economy. These included, apart from tariffs, commodities, the regulation of non-commercial stocks, cartels, dumping and subsidies. On all of these problems there seemed to exist a large measure of agreement and the Review Session should be able to arrive at some satisfactory provisions in these fields. In the field of quantitative restrictions, however, profound divergence of view was apparent. This was a question which related both to a regional and a world problem. The regional problem concerned the industrialized countries on both sides of the Atlantic, who had already made, and were capable of further, progress in the elimination of quantitative restrictions, both among themselves and with respect to countries applying a similar commercial policy. The other side of the matter was the world problem. Care must be taken that rules suitable for a group of highly industrialized countries did not become an obstacle to the agreement of the rest of the world. Approximately one-half of the present contracting parties could legitimately claim the title of underdeveloped country. If to this number were added the Latin American and Middle Eastern countries which participated in the Havana conference but were not contracting parties, the number of underdeveloped countries was doubled. Finally, among the industrialized contracting parties, a number of them were obliged to support the interests of their overseas dependent territories which also belonged in the category of underdeveloped countries. Thus approximately three-quarters of the present or potential members were countries in the process of economic development. This problem could be met in two ways. The principles governing the relations between developed countries could be adopted as the general rule and these countries,

forming 25 per cent of the members, could seek progressively to impose this rule on the others, giving them in the meantime the possibility of temporary derogations. On the other hand, it was possible and surely preferable to try to find a system sufficiently flexible, but of universal application, such as that presently contained in Articles XII and XIV, and to leave to the regional groups, which should be constituted within the framework and under the supervision of the Agreement, the solution of the regional problems of industrialized countries. The tariff question was a typical example of a problem which could not be solved unless the organization took upon itself a truly world character. The Agreement was not now as universal as was desirable and it seemed to Mr. Philip necessary to avoid carrying on a review on such a narrow basis that the effect would be to restrict rather than extend the membership.

Mr. COHEN (United Kingdom) said that from the remarks just heard he was uncertain as to whether the French delegation was interested or not in renewing the time bar under Article XXVIII. He readily appreciated the need for achieving tariff stabilization over as wide an area of the world as possible. But difficulties would be encountered if the existing broad technique were altered to attract the countries represented at Havana which were not contracting parties. Failing specific proposals by the French delegation on negotiation of tariffs and binding or rebinding of tariffs, he felt the Working Party should confine its consideration to the technical side of the problem.

The technical problem was the need for binding of tariffs, while providing some flexibility for dealing with difficult cases. If general recourse were had to Article XXVIII, the new Agreement might be the signal for a general rise in tariffs. The delegate of South Africa had referred to a few industries for which protection was needed, but renegotiations might spread to all countries until nearly all the bound items, amounting to several thousand, were affected. To rebind them would require another conference lasting several months. The United Kingdom wished the time bar to be extended until the end of 1957 and that countries should be able to renegotiate items in case of urgency or other special circumstances. If tariff negotiations were held before the end of the time bar, an opportunity would be afforded to reconsider the question whether Article XXVIII or some other rules for renegotiation should be applied; tariff negotiations afforded the natural opportunity for contracting parties to review their position and seek readjustments.

The right to take unilateral action contained in Article XXVIII was an escape clause but it was not consistent with the spirit of the GATT and it would be a step forward if provisions were made for arbitration instead. This would not mean that countries could not renegotiate items, but arbitration would provide safeguards for all countries.

The United Kingdom delegation considered that further negotiations for reduction in tariffs should be on a broad international basis. Countries should keep in mind and perhaps put under fresh review the proposal submitted originally by the French Government. The CONTRACTING PARTIES could take no action meanwhile because it was not yet possible to see what the United States Reciprocal

Trade Agreement Act would provide, but some data were available in the findings of the Randall Commission and the Kean Bill. If the Working Party were to examine the French Plan for tariff reduction alongside the provisions of the Kean Bill, less time might be lost at a later stage in getting down to action.

Mr. CIJLOW (Uruguay) supported in principle the proposals by the delegations of Brazil and Cuba. He felt that any consideration of Article XXVIII should be deferred until the nature of the modifications to the provisions relating to discrimination and quantitative restrictions were known. Regarding the French proposal, his delegation agreed that a solution of certain problems might be possible by dealing with them on a regional basis. Such regional solutions should follow the pattern of regional organizations already established by the United Nations.

Baron HENTINCK (The Netherlands) spoke on behalf of the Benelux Governments, who were following common policies in the field covered by the present deliberations. With regard to the suggestions made in respect of Article XXVIII, some specific proposals mentioned the end of 1957 as the new term for the tariff schedules. The Benelux Governments considered that suggestion provided for a minimum degree of stabilization for as long a period as possible, even under a revised General Agreement. The proposal of a two or three-year time bar would seem to them acceptable as a basis of discussion, the final attitude of their governments resting on the outcome of the discussions.

The question arose as to provision for further negotiation. The present Article XXVIII was based on the view that from time to time after a number of years the CONTRACTING PARTIES should allow for a number of modifications and reconsideration of tariff negotiations as a result of changes in a number of countries. In that respect it was reasonable to recognize the specific position of insufficiently developed countries. He shared the view that particular flexibility might be allowed for those countries, since it was likely to be less harmful than in the case of the highly developed countries, and there would be less risk of a general disintegration of the schedules.

In respect of the extension of the present tariff schedules, that would depend on the progress made within the countries belonging to the General Agreement in the field of tariff reduction. That remark applied not only to bound but also to unbound rates. He did not underestimate the stabilization of duties, but there was an urgent need to achieve a general downward move of tariff barriers or at least to eliminate any excessive disparity still existing between tariffs. Any downward trend of tariff duties along the lines indicated by the Benelux proposals would make it easier to provide for a certain flexibility in the schedules without causing undue harm to the interests of international trade.

Mr. JOHNSON (New Zealand) had been particularly impressed by the statement by the delegate from South Africa which aptly fitted the position of New Zealand. His country was in the course of dismantling some restrictions under balance-of-payments arrangements, and had now reached the stage where very few restrictions remained. The need was felt to re-examine New Zealand's tariff position, and

before agreeing to any extension of the schedules, New Zealand would wish to have an opportunity of renegotiating a number of items. It was important that the general stabilization of the schedules, which was a cornerstone of the General Agreement, should remain undisturbed. Although his delegation was not in favour of a wide round of negotiations, if it were necessary to renegotiate a limited number of items, this should be possible without having recourse to the sympathetic consideration procedure. New Zealand would agree to the maintenance of bound schedules until the end of 1957. In that event, the procedure for sympathetic consideration should be written into the General Agreement and, subject to the opportunity to negotiate a few items, New Zealand would agree to that proposal.

Mr. GARCIA OLDINI (Chile) said that his Government had no objection to the prolongation of the schedules, but reserved the right to negotiate certain items of special interest. The problem remained of the mechanism for the negotiations. The provisions of Article XXVIII appeared, within their own context and to a certain extent, equitable. In practice, however, most countries which had undertaken renegotiations had found it almost impossible because the text of Article XXVIII empowered the country from whom a concession was withdrawn to demand a further concession upon the single condition of equivalent value. The concept of equivalent value, which could not be the same for an industrialized and an under-developed country, also had the great disadvantage of being subject to interpretation. Thus, it frequently happened that, in order to avoid a new and in effect greater concession, a country was forced to maintain the original concession. It was necessary to arrive at a text which would correspond both with experience and reality. Mr. Garcia Oldini wish to indicate another problem connected with the renegotiations. They would be taking place when the Agreement itself had in actuality ceased to exist, although legally it would remain in effect, pending decision by the various parliaments. It seemed paradoxical to establish final bindings to be attached to the new text of the Agreement. It was thus necessary to establish a special transitional procedure. Such a procedure might serve in particular for the special case of Greece, which merited the sympathy of all contracting parties. This new procedure should also take account, as far as possible, of suggestions made by the Brazilian delegate concerning under-developed countries, as well as those made by the representative of Haiti. The new draft of Article XXVIII should take into account as far as possible the provisions of any transitional procedures. In redrafting this Article the situation described by the Cuban representative emphasizing the need for greater flexibility regarding tariffs should be borne in mind. Mr. Garcia Oldini wondered, in fact, whether the points made by the Cuban representative should not be dealt with by the new Article XVIII rather than within the framework of Article XXVIII.

Mr. LARRE (France) referred to questions of the reduction of tariffs and of the procedures to be adopted for eventual renegotiations. He thought it would be preferable to defer for the moment an examination the question of a new programme of negotiations for the reduction of tariffs. The conditions envisaged when the plan was first presented had not yet been realized, and in particular, the United States Government had indicated that the margins within which they were able to negotiate might be enlarged in the not too distant future.

Regarding the eventual procedures for such negotiations, he remarked that the Agreement, and not the Charter, was under revision, and that no provision of the Agreement covered procedures for negotiations. The elaboration of procedures would be necessary when the new series of negotiations had been agreed, but it would be useful to undertake some preliminary work in this matter. He thought it would be helpful if the countries who wished to renegotiate certain items after July 1955 could defer their requests for renegotiation until the situation with regard to general negotiations were clearer. If along with the Japanese negotiations there was another session of general negotiations the duration of the conference would be extended.

Mr. KOEHL (Norway) said the Norwegian Government, as stated by the Minister of Trade in the previous week, considered that stabilization of customs tariffs had been one of the main achievements of the Agreement, and Norway would like to see the assured life of schedules prolonged. But as the Swedish delegate had said, such an extension could not be accepted without some adjustment of tariffs. He concurred with the views of the delegate of India that a round of negotiations under the procedure for sympathetic consideration might usefully take place before a decision was reached on the period of extension of bound tariffs. The suggestion that Article XXVIII be suspended indefinitely might also be considered by the Working Party.

The Meeting adjourned at 1.00 p.m.

