

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

SR.9/23

22 December 1954

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CONTRACTING PARTIES  
Ninth Session

## SUMMARY RECORD OF THE TWENTY-THIRD MEETING

Held at the Palais des Nations, Geneva,  
on Monday, 20 December 1954, at 10.30 a.m.

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

- Subjects discussed:
1. Progress Report by the Chairman of Working Party IV on Organizational and Functional Questions (W.9/123)
  2. Progress Report by the Chairman of Working Party III on Barriers to Trade other than Restrictions or Tariffs (W.9/122)

The CHAIRMAN explained that the purpose of these meetings of the CONTRACTING PARTIES was to bring into focus the main issues which had arisen during the work of the Review Working Parties in order that governments could consider them during the recess with a view to making rapid progress when work was resumed in January. The interval should be used by delegations to consult with their governments, and obtain revised instructions where possible. The Chairman referred to the detailed discussion of the various issues which had occurred in the Working Parties, and hoped that the plenary debate would not be used to repeat the detailed arguments which had already been heard.

1. Progress Report of Chairman of Working Party IV (W.9/123) and Interim Report of Working Party IV on Commodity Questions (L/297)

Mr. COUILLARD (Canada), Chairman of Working Party IV, read his progress report of the Working Party (W.9/123). He also referred to the interim report of the Working Party (L/297) on Commodity Questions.

In reply to questions of procedure raised by Mr. Machado (Brazil), Mr. Garcia Oldini (Chile), and Mr. Goertz (Austria), the CHAIRMAN stated that the progress reports of the Chairmen of the Working Parties were before the CONTRACTING PARTIES only for information and guidance as to the stage reached in the discussion of the various issues. Each Working Party would eventually produce a report and it would then, of course, be up to the Working Party itself to decide what should be included in that report. No decision was called for by the CONTRACTING PARTIES with regard to the Chairman's reports.

In the case of Working Party IV, however, an interim report on commodity questions (L/297) was before the CONTRACTING PARTIES for a decision.

Mr. SVEC (Czechoslovakia) requested more time to study this matter.

Dr. PORCEL (Cuba) explained that, although his delegation had favoured the inclusion of Chapter VI of the Havana Charter in the Agreement, they supported in principle the Working Party's proposal for the drawing up of principles in the field of international commodity questions to be included in a separate instrument. Mr. Porcel requested that a decision on the report be, however, deferred until they had time to consult their Government.

Mr. COHEN (United Kingdom) welcomed the general content of the report, but thought it would be desirable to elucidate in more precise terms the terms of reference of the Working Party. He proposed that the terms of reference be as follows: to consider specific proposals for principles to govern international action designed to overcome problems arising in the field of international trade in primary commodities and the form of separate international agreement necessary to administer and apply these principles; to consider also the relationship between the parties to such an agreement with, on the one hand, the CONTRACTING PARTIES and, on the other hand, with any other international organizations exercising responsibilities in the field of international trade in primary commodities; and to make recommendations to the CONTRACTING PARTIES.<sup>1</sup> This would emphasize, as the report did not, that part of the Working Party's task would be to define the relationship between the supplementary agreement and the CONTRACTING PARTIES.

Mr. MACHADO (Brazil) preferred that no decision be taken immediately on the question of commodity problems. The United States delegate had made in the Working Party a clear statement of his Government's opposition to the proposal and the attitude of the United States was of such importance that the Brazilian delegation doubted the usefulness of any study undertaken or machinery established without its participation. Furthermore the Brazilian delegation feared that if the CONTRACTING PARTIES adopted the proposal of the Working Party, and so informed the Secretary-General of the United Nations, the result would be to affect the work that might otherwise be undertaken by the United Nations Advisory Commission on Commodity Trade, since such a communication would lead them to believe that the CONTRACTING PARTIES intended to take effective action in the field of commodity problems. If, nevertheless, it were decided to adopt the Working Party's proposals, Mr. Machado suggested that the terms of reference of the new working party set a time-limit for its work, preferably the date for the conclusion of the Review, in order that the CONTRACTING PARTIES might be able to communicate the conclusions to the Advisory Commission with as little delay as possible.

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<sup>1</sup> Since distributed as L/298

Mr. COHEN (United Kingdom) suggested that the terms of reference of the Working Party might direct it to submit an interim report at the end of the Review Session if it were not able to submit a final report. He thought it would not be advisable to set an absolute time-limit for the conclusion of its work.

Mr. MACHADO (Brazil) accepted this suggestion, and reserved the position of his Government on the whole matter until the report of the new working party were received.

The CHAIRMAN suggested that since many contracting parties were not in a position to take a final decision on the report of the Working Party at this stage, and the proposal by the United Kingdom had yet to be circulated, the report and also the draft letter to the Secretary-General of the United Nations annexed to the Chairman's progress report might be referred to a later meeting.

Mr. HAGEMANN (Germany), referring to the progress report by the Chairman of the Working Party (W.9/23, page 3), explained that the proposal by the German delegation relating to transport insurance had not in fact been withdrawn but that his delegation had agreed to defer consideration of its proposal until the Working Party took up the matter again when the Executive Secretary's report was available.

Mr. GARCIA OLDINI (Chile), referring to page 2, paragraph 7 of the progress report, thought that the reference to the fact that "most members of the Working Party recognized that, in the majority of cases" it would be undesirable for the CONTRACTING PARTIES to resort to resolutions, might prejudice the discussion by the Working Party of resolutions that were, in fact, still before it. The use of resolutions was not, in his view, a departure from the normal practice of the CONTRACTING PARTIES and, even if it were, there were cases where the CONTRACTING PARTIES could not always take definitive action and the adoption of resolutions was the only satisfactory solution. He suggested that if it were possible to modify the progress report of the Chairman, he would suggest that the words "in the majority of cases" be deleted.

Mr. COUILLARD, Chairman of the Working Party, explained that this phrase reflected his impression of the discussion in the Working Party and, furthermore, was a continuation of paragraph 6 where it was stated that the contracting parties in the proposed organization "should continue as far as possible the hitherto empirical approach of dealing with specific problems ... as they arise". This statement of the view of the Chairman as to the general consensus of opinion in the Working Party would not, of course, affect in any way consideration of the specific resolutions that were still before the Working Party. Mr. Couillard referred, in particular, to two proposed resolutions, one relating to international investment for economic development, and one to tied loans, to which reference was made on page 3 of the progress report.

Mr. MACHADO (Brazil) thought that the remarks by the Chilean delegate relating to the adoption of resolutions by the CONTRACTING PARTIES were particularly pertinent to the basic question which in his view had not so far been decided. His delegation had approached the Review Session, believing that the General Agreement and the proposed new Organization should deal with all questions relating to commercial policy, under the impression that the terms of reference for the Review meant that all the existing Articles of the Agreement were subject to revision and that the scope of the Agreement might be enlarged. They wished to know whether the Review were merely to be concerned with amending the present Articles of the Agreement or whether the possibility of enlarging the scope of the Agreement, inserting new rules, and thereby creating a new Agreement, were envisaged. If all the rules were subject to revision, the rules relating to amendments should also be subject to revision. If the CONTRACTING PARTIES intended to modify the rules that were to be applicable in the future, they should also be free to modify the rules whereby such amendments were to be brought into effect. Under the existing rule of unanimity in Article XXX this was not possible. His delegation believed that sections of the Agreement which, under the provisions of Article XXX now required unanimity for their amendment, should be subject to revision equally with the rest of the Agreement. Unless, however, some alternative system than that presently contained in Article XXX were provided, this would be impossible.

The CHAIRMAN referred to the terms of reference agreed upon for the Review by the Eighth Session of the CONTRACTING PARTIES (Basic Instruments and Selected Documents, Second Supplement, page 29). These terms of reference clearly stated that the CONTRACTING PARTIES were engaged in a review of the operation of the Agreement on the basis of experience gained and, in the light of this review, examining to what extent it would be desirable to amend or supplement the existing provisions, and what modifications should be made in the arrangements for its administration. Clearly all the Articles of the Agreement were subject to review, including Article XXX relating to the procedure for amendment. However, the Agreement continued to be in force. The review and whatever amendments or additions which emerged from the Review were undertaken within and subject to the terms of the existing Agreement. Thus, the amendment procedures contained in the Agreement were applicable and if an amendment were proposed to Article XXX itself, such an amendment would require unanimity.

The Chairman could not understand the complaint of the Brazilian delegation as to questions of extending the scope of the Agreement. The greater part of Working Party IV's time had been spent in examining just this problem.

Mr. ŠVEC (Czechoslovakia) thought that the procedure with regard to amendments was quite clearly set out in Article XXX, but that the situation respecting proposed new articles was less clear and he enquired what majority would be necessary for approval of such proposals.

The CHAIRMAN stated that the position appeared to be adequately covered in Article XXK. Under that Article the requirements of unanimity were strictly limited to Part I and certain specific articles and amendments in the form of supplementary articles would, therefore, be governed by the two-thirds rule. Any cases that might arise where the situation was not perfectly clear as to whether the proposed insertion was in effect an amendment of existing articles or a new article would have to be examined on its merits.

Mr. GARCIA OLDINI (Chile) expressed his satisfaction with the Chairman's clarification that the terms of reference of the Review did envisage that the Agreement might be supplemented. Concerning the remarks by the Chairman of the Working Party in reply to his own previous remarks, he wished to emphasize that the continuation of an "empirical approach" did not prejudice the form in which specific problems would be dealt with. The CONTRACTING PARTIES had made the Agreement better in its practice than in its text and he hoped that the empirical attitude that had made such a result possible would continue. He was not satisfied, however, with the remarks relating to resolutions contained in paragraph 7 of the progress report, nor did he think it was a logical sequence to the references to an "empirical approach".

Mr. GOERTZ (Austria) referred to the statement of the Austrian observer in the Working Party regarding the provisions contained in the draft Agreement relating to the Executive Committee (Articles 9 to 11). His delegation understood and agreed with the criteria set out in sub-paragraphs (a) and (b) of Article 9. The criteria contained in sub-paragraph (c), into which the words "different types of economies" had been inserted by the Working Party in response to the observations of the Austrian observer, did not, however, seem to him to admit the possibility that Austria should ever be represented on the Committee. He would be content with the clause as it was if it were interpreted as covering countries such as his own. On Article 10 his delegation joined its reservation to that of the four other countries referred to in the footnote. On Article 11, concerning attendance at meetings, Mr. Goertz had noted the sub-group's report to the effect that this provision should be interpreted liberally. Nevertheless, in the past, all contracting parties had the right to attend meetings of the Intersessional Committee and there might well be items of interest to particular contracting parties even when they were not particularly concerned.

Mr. COUILLARD, Chairman of the Working Party, suggested that the report of the Working Party when it was drawn up could make clear that the phrase in sub-paragraph (c) to which the Austrian delegate referred had been inserted specifically to cover small and medium economies. With regard to Article 11, it had been emphasized in the Working Party that the draft Agreement should contain only the basic provisions. Many questions of detail would have to be covered by the rules of procedure to be drawn up by the Assembly and Executive Committee in order to give effect to the provisions of the draft Agreement. Thus the Assembly would provide in the rules the means whereby the criteria contained in Article 9 for elections to the Executive Committee could be fulfilled, as well as for other matters such as the terms of office and the election of officers. The rules of the Executive Committee which were subject to approval by the Assembly would set out the rights reserved to non-members in Article 9 and would have to specify in detail matters relating to access to documents, attendance at meetings, etc.

Mr. GOERTZ (Austria) wished more time to consider the Chairman of the Working Party's interpretation of the matters to be left to the rules of procedure.

Dr. PORCEL (Cuba), referring to Article 9(a) of the draft Agreement, enquired as to the meaning to be attached to "the members of chief economic importance".

Mr. COUILLARD (Chairman of the Working Party) referred to the extensive discussion of this matter in the Working Party, and explained that it was the intention of the Working Party that the concept of permanent seats should not be read into this Article. Hence the sentence in the opening paragraph of the Article to the effect that each election to the Executive Committee should be for a single term and each member eligible for re-election. The Working Party did not discuss the implementation of these criteria in detail and agreed that such questions should be left to the Assembly for inclusion in its rules of procedure.

Mr. ANZILOTTI (Italy) thought that Article 9 of the draft Agreement was generally acceptable to his delegation although, since the report had only been received today, he reserved his position. He referred to previous statements of his delegation in the CONTRACTING PARTIES, emphasizing the importance of the question of representation on the Executive Committee.

Mr. MACHADO (Brazil) thought there was a contradiction between sub-paragraph (a) of Article 9 and the opening paragraph of the Article. The criteria included in (a) could only be fulfilled by determination by the Assembly and the word "election" did not apply to this sub-paragraph.

Mr. COUILLARD (Chairman of the Working Party) referred to the Havana Charter and to the reports of the Fifth and Sixth Sessions concerning continuing administration of the Agreement and the Intersessional Committee. Permanent seats had been envisaged in these documents and the word used in the respective articles was, as a result, "selected". The concept of permanent seats did not exist in the draft Agreement presently before the CONTRACTING PARTIES. This was a question that had been discussed at great length in the Working Party and, subject to the reservations of the United Kingdom and Brazil (for different reasons), this Article was generally acceptable to the Working Party. To go beyond the language contained in the Article and enter into a discussion as to how the criteria were to be fulfilled was to impinge upon the function of the Assembly.

Dr. PORCEL (Cuba) said that this was his understanding of the matter and he had merely wished to have it clarified in the plenary session.

Mr. MACHADO (Brazil) reiterated his contention that it was impossible to fulfil the terms of this Article unless a specific number were provided under sub-paragraph (a).

Mr. GLJLOW (Uruguay) thought that the economic and geographical position of countries should not serve as a base for the composition of this Committee. The object of the CONTRACTING PARTIES at this time was to draw up a basic statute for the Organization and all of its organs should be composed on a democratic basis. He thought that there was a divergence between sub-paragraphs (a) and (c) that would be removed if the approach to the question were simpler. His delegation favoured a more democratic formula.

Mr. GARCIA OLIDNI (Chile) said that this was obviously a very complicated question and one to which contracting parties attached great importance. Perhaps the Working Party could re-examine the matter with the view to finding a formula which would eliminate some of the contradictions presently contained in the text. It would be useful for the Assembly or Executive Committee to have some guidance from this Review Session on the most important questions.

Mr. Garcia Oldini emphasized that no contracting party was committed to any aspect of this draft nor to views expressed in the progress reports of the various chairmen of working parties. His delegation therefore did not think it necessary specifically to reserve its position on different questions at this stage.

Mr. JHA (India) referred to the discussions on this same point that had occurred in the Working Party and wished to draw attention to one advantage in the present draft. Several delegates had called attention to the fact that following the criteria contained in sub-paragraph (a) might result in an election which conflicted with the criteria of the whole article. Thus it would be absolutely necessary for the Assembly to draw up rules for the application of this article. The fact that the rules for the elections would be contained, not in the basic statute but in the rules of procedure, gave greater flexibility and the possibility of change should experience show it to be desirable.

The CONTRACTING PARTIES took note of the progress report of the Chairman of Review Working Party IV.

## 2. Progress Report of the Chairman of Review Working Party III (W.9/122)

Mr. GARCIA OLIDNI (Chile, Chairman of Working Party III) read his progress report.

The CHAIRMAN thought that the lack of progress of this Working Party was due to the complexity of the subjects referred to it and the broad field it had to cover. The report indicated the main points still unsettled and would enable delegations to seek instructions on these matters during the Christmas recess.

Mr. PHILIP (France) wished briefly to explain the French position on these matters. Firstly, France was in favour of the elimination of artificial measures of assistance to exports and intended to vote for the recommendation of the Organization for European Economic Co-operation to this effect. Secondly, it was obvious that a complete and unconditional condemnation of such measures would be

unacceptable to a large number of contracting parties. In these circumstances his Government felt that a compromise solution should be sought, taking account of different economic and social conditions. They would support any compromise that was acceptable to all contracting parties on the one condition that the same régime should apply to all goods, whether industrial or agricultural. Finally his delegation thought that, in the compromise text to be sought, a more lenient régime should be envisaged for subsidies which were designed to correct existing economic maladjustments and to maintain the world price at a level acceptable to all countries, particularly under-developed countries; on the other hand, the rules should be particularly strict with regard to subsidies which destroyed the normal channels of trade and created conditions of disequilibrium in world prices.

Mr. ANZUOTTI (Italy) said that this was a particularly important problem for the Italian delegation, which had repeatedly emphasized the fact that export subsidies, both for agricultural and industrial products, should be eliminated. His delegation would admit the possibility of exceptions to the general rule only in particular cases and with the prior approval of the CONTRACTING PARTIES. This proposal implied an undertaking by countries to request a waiver, if they wished introduce or maintain such subsidies, or other forms of export incentives. In the Working Party a tendency had appeared to make exceptions for agricultural or primary commodities which seemed to his delegation dangerous. The problem of subsidies was a basic one, and an unsatisfactory solution would affect the attainment of the other objectives that were sought through a reduction or abolition of barriers to trade. It could be envisaged that in order to protect its internal market against the competition of subsidized exports of another country, a contracting party might have to raise its duties or resort to quantitative restrictions. The damage on third markets might have to be met by counter measures such as private compensation or triangular operations. All these things would destroy the basic objective of a complete liberalisation of trade. Certain proposals that were before the Working Party were unacceptable to the Italian delegation and if it were not possible to reach an agreement strictly to limit and control such practices, it would be difficult, in the view of his delegation, to undertake commitments to proceed with the reduction or elimination of barriers to trade, particularly import restrictions.

Mr. MACHADO (Brasil) said that his Government opposed subsidies whose purpose was to create conditions of unfair competition. It was, however, the normal responsibility, and in fact duty of all governments to take measures necessary to place their exports in a position to compete fairly on world markets. The important question before the CONTRACTING PARTIES was the limit to be placed upon this right and duty. There was frequently a disequilibrium between the profits accruing to industry and agriculture and governments must have the possibility of correcting this situation. Where such activities caused damage to other contracting parties, then and only then the CONTRACTING PARTIES should have the right to intervene. The notion of subsidies not as a right but as a duty was insufficiently developed in the Chairman's progress report.

Mr. BITSIOS (Greece) supported the prohibition in the revised Agreement of all export subsidies. His Government was particularly opposed to any distinction between different categories of products. If the opinion prevailed that certain products, particularly agricultural products, should be excepted from the general rule, his delegation could only accept such a provision in the case of opening a completely new market and in cases where the price of one particular product were higher in relation to the general index of prices of all exportable commodities, as compared to, for instance, 1939.

The meeting adjourned at 1 p.m.