

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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CONTRACTING PARTIES
Ninth Session

SUMMARY RECORD OF THE TWENTY-NINTH MEETING

Held at the Palais des Nations, Geneva,
on Monday, 17 January 1955, at 3.00 p.m.

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

- Subjects discussed:
1. Change in membership of Legal and Drafting Committee
 2. Review of the Agreement: Problems of dependent territories - Proposal by the United Kingdom
 3. French special temporary compensation tax on imports (Consideration of draft decision)
 4. Accession of Japan:
Participation of Japan in sessions of the CONTRACTING PARTIES (Consideration of draft decision)

1. Change in Membership of the Legal and Drafting Committee

The CHAIRMAN explained that the German delegation had informed him that Dr. von Bargaen, who had originally been appointed by the CONTRACTING PARTIES to the Legal and Drafting Committee, was unable to be in Geneva, and he proposed that Consul Dr. Carl Joseph H. Partsch, Doctor of Law, Privat-dozent for international law, constitutional and administrative law at the University of Bonn, Assistant from 1950 to 1954 to the Legal Adviser in the Federal Foreign Ministry, German reporter for the United Nations' "Yearbook on Human Rights", and member of the German Union of Constitutional Law Instructors, the Association for Comparative Law and the Political Science Union, be appointed to replace him.

This was agreed.

2. Review of the Agreement: Problems of Dependent Territories (L/296)

Mr. COHEN (United Kingdom) said that his delegation had always considered the General Agreement to be one that provided equal rights and obligations for all its members, both the industrialized members and the under-developed ones, and that similarly it should give equality of treatment both to independent countries and to dependent territories. They had put forward this proposal

as a result of their concern to meet the special difficulties which arose only for certain dependent overseas territories. It was necessary to provide under the Agreement for the metropolitan country to be able to discharge to the best of its ability its obligations for the economic development of these territories.

Some dependent overseas territories, in respect of products which did not enter the world market, must look to the metropolitan territory as the only market for their goods. Independent under-developed countries could act under the provisions of Article XVIII when they wished to protect the development of industries in their countries, and furthermore most of the independent under-developed countries were sufficiently large to provide a considerable internal market for their own produce. The dependent territories, on the other hand, usually had a very small domestic market, and, unless they produced raw materials such as rubber or tin which entered into world trade, they had no alternative but to depend upon the metropolitan country as a market for their goods. The United Kingdom delegation wished merely to be able to treat these dependent territories as though they were part of their own domestic market and to be able to extend to them the provisions which the GATT provided for the protection of domestic markets. To protect a domestic market under the Agreement, such instruments as the tariff, the use of anti-dumping and countervailing duties, subsidies etc., were available, but the Agreement did not permit such measures to be similarly applied to safeguard an overseas dependent territory.

The purpose of this proposal was solely to assist the economic development of an overseas territory, and there was no intention of thereby protecting in any way the metropolitan market or industry. His delegation would be agreeable to the insertion of a proviso making this quite clear. Furthermore, this was a proposal which, in the view of the United Kingdom Government, was of importance for any country which had dependent overseas territories.

Mr. SEIDENFADEN (Denmark) explained that his delegation had no final instructions on this matter. While sympathising with the motives of the United Kingdom proposal, they felt considerable hesitation as to its implications. Denmark was, of course, opposed to any preferential systems. This proposal raised a question of principle and if such an article as that proposed by the United Kingdom were introduced into the Agreement, it might well undermine the existing "no new preferences" rule. He hoped that a solution other than this would be found to the problem.

Mr. MACHADO (Brazil) considered that the proposal raised a question of substance. Brazil was, of course, in favour of both the economic and political development of all territories of the world, but they could not accept as a basis for development preferential zones whose production would compete with products already produced more economically. Although the United Kingdom proposal might give preferential rights to areas much more deserving of such rights than those presently covered by Article I of the Agreement, this was a question of principle which his delegation could not accept. The exception contained in Article I, paragraph 2, was already too large and nullified the idea of equality of treatment contained in the concept of the most-favoured-nation. Article XXIV provided a still further possibility of discrimination against acceding countries. A country like Brazil, however, had no possibility of

protecting itself against, for example, the industries of England, Germany, France and other European countries. They were now being asked to increase this zone of discrimination. The products of overseas dependent territories already enjoyed, within the GATT, a preferential treatment, and to increase in any way this privileged treatment would add to the imbalance in the Agreement.

Mr. Machado referred to paragraph 4 of the United Kingdom proposal, where it was stated that metropolitan countries were responsible for the international affairs of dependent overseas territories, including the negotiation of international trade agreements. In practice, in the past, representatives of such territories had taken part in and had a separate vote in commodity conferences, a vote which was often decisive.

Dr. HELMI (Indonesia) said that his Government would always consider with sympathy the development of dependent overseas territories, especially if it were to lead to their eventual independence. The United Kingdom proposal, he feared, would not achieve this purpose. The fostering of industry in a country with a limited domestic market by artificially creating a market in the metropolitan territory through the free entry of its goods could only lead eventually to greater dependence on the metropolitan market, and thus a diminished possibility of such territories gaining their independence. Furthermore, Dr. Helmi failed to see how such measures could be limited to the exclusive benefit of the dependent territories. The imports of such areas from the metropolitan country must inevitably increase pari passu with their increased exports to it. Another major objection to the proposed clause was that to accept it would enable the metropolitan country to take action without the supervision of the CONTRACTING PARTIES, and to act as the sole judge of whether such measures would benefit the dependent territories or not. The interests of other contracting parties would not have to be taken into account, and the measures taken might easily harm the economics of other countries - particularly of the under-developed countries. The Indonesian delegation thus was unable to accept the proposal in its present form. They thought, however, that a solution might be found by means of the granting of special waivers to meet individual cases.

Dr. PRIESTER (Dominican Republic) said that his delegation had seen with satisfaction the United Kingdom delegation pressing, during the Review, for strengthening the structure of the General Agreement. Naturally, the point of view of a small independent country living on the exports of a few basic commodities and having neither balance-of-payment difficulties nor price support programmes differed on many issues from that of a country representing the metropolitan area of a world empire, but he was sure it would generally be agreed that all the proposals made by the United Kingdom delegation were, so far, in the direction of expanding world trade on a multilateral basis and of minimizing the obstacles. However, the present proposal of the United Kingdom delegation did not seem to fall in the same category. The cornerstone of the Agreement was the most-favoured-nation principle; it was recognized that certain preferential systems had been built up in the past, the dismantling of which would have to be a slow and careful process. The expectations of his country, and of many others, that the obligation gradually to reduce the preferential arrangements would be carried out had been disappointed, but they still hoped that there would eventually be a dismantling of these systems. The proposal of the United Kingdom was a serious setback not only on account of the purpose

but because of the underlying reasons given by the United Kingdom delegation. The interpretation by the United Kingdom Government that the special responsibility for the development and welfare of dependent territories entailed an obligation for the metropolitan country to assist these territories in developing their resources would not be disagreed with, particularly as the United Kingdom paper recognized that this responsibility must be exercised with due regard to the interests and well-being of other countries. His delegation, however, could not agree that there was a right to assist or to protect colonial exports by means of special facilities of access to the metropolitan market. The United Kingdom was in fact requesting a waiver of its obligations under Article I, in order to be able to institute new imperial preferences on behalf of new industries in these territories.

Undoubtedly the industries to be developed in colonial territories might require more than their limited domestic markets, but this was true for all under-developed countries and was in fact the basic problem of such countries. The only remedy for this situation was unhampered access to all the main markets of the world for the products of such new industries. The optimum solution would be to put such products on the free list of all countries, but the minimum solution, which in his view should be supported by all contracting parties, was that these products should at least not be subject to discriminatory barriers to trade. Colonial territories already had considerable advantage in comparison to independent under-developed countries, since they had a natural hinterland in the form of the metropolitan area. It would be a heavy blow to independent under-developed countries trying to build up their industries with insufficient capital and technical means if they were subject to the competition of dependent territories enjoying preferences in the metropolitan area. History showed that the industries of colonial territories would eventually invade the world market and, having the advantage of an assured market for the bulk of their production, would be able to undercut their competitors. Furthermore, the fostering of industrial production by means of imperial preferences would be a substantial export subsidy in disguise and the Review Session had, after all, been concerning itself with the diminution of systems of export subsidies.

That which most concerned the Dominican delegation was the question of principle involved. The dismantling of imperial preferences was one of the main aims of GATT and its record in this field has not been impressive. The United Kingdom, for example, had already requested and received at the Eighth Session of the CONTRACTING PARTIES a waiver of its obligations under Article I in order to protect domestic industries. At that time several delegations had feared that this was an opening wedge in the creation of new preferences. The United Kingdom delegation was now requesting an increase of preferences in the interests of colonial suppliers and his delegation was uneasy that this might be a second step in the same direction. United Kingdom preferences, furthermore, were on a contractual basis and, in effect, with the exception of those between Canada and the United Kingdom, bound against decrease. They had not in the past been reduced, and under the guise of commonwealth agreements new preferential arrangements, in effect, nullifying the obligations under Article I, had been established.

It would be understood from the above that a general enabling clause which would result in a waiver of the obligations of Article I was looked upon by the Dominican delegation with serious apprehension. His delegation realized, however, that the United Kingdom was mainly interested in finding a means to deal with a serious problem and, in a spirit of co-operation would, while rejecting the original proposal, support the establishment of a working party to discuss the problem and try to find a solution acceptable to all parties which should not weaken the general rule of Article I.

Mr. LARRE (France) said that the work of the CONTRACTING PARTIES in the past had led to a distinction between the preferences exercised in the interests of metropolitan economies and those exercised in the interests of dependent territories. The French delegation considered that the case presented by the United Kingdom delegation should be considered as a part of the approach thus far developed toward the problem of under-developed countries. It would be regrettable if the dependent, under-developed territories should have their interests ignored at a conference that was so largely concerned with under-developed countries and their problems.

The French delegation considered that the arrangements presently in the Agreement for dependent territories were satisfactory, and did not envisage asking any waiver from the CONTRACTING PARTIES in favour of the territories of the French Union. They did recognize, however, that in certain circumstances the dependent territories could find themselves injured by the provisions of the Agreement. This was the case of the United Kingdom, which was asking the CONTRACTING PARTIES to admit that the development of a dependent territory of the British Commonwealth, as well as the development of other areas actually represented among the contracting parties, might require special measures. The French delegation considered that the dependent territories had a special category among under-developed countries; a category of lower economic and political evolution for which special measures might be necessary. Therefore his delegation considered that, if it was necessary to envisage special provisions such as those proposed by the United Kingdom delegation, the CONTRACTING PARTIES should not refuse to examine this request. He recognized the validity of the point of view that feared damage to other under-developed areas, but was confident that it was no part of the intention of the United Kingdom to request a privilege for its territories at the expense of harm to any contracting party. Under this reserve, and the reservation that the measures envisaged would be exclusively in the interests of the dependent territory as stated by the United Kingdom, his delegation thought this was a matter that merited consideration.

Mr. BERTRAM (Federation of Rhodesia and Nyasaland) thought that the only question before the CONTRACTING PARTIES was whether it was an acceptable principle that because a colonial territory was mainly dependent upon the metropolitan area the latter had a special responsibility for its economic development. If this were accepted, then special facilities should be countenanced by the Agreement. The question of imperial preferences was not particularly relevant to this case. Mr. Bertram supported the examination of this question by a working party.

Mr. GARCIA OLDINI (Chile) said that obviously any under-developed country could only regard with sympathy efforts to develop areas which were at present dependent areas and were under-developed. However, under-developed independent countries were faced with many difficulties in the development of their production, trade and industry. What would be their situation if the only large and formidable system of preferences which presently existed were still further extended? The under-developed territories included in that system would be enabled to send cheaply to the metropolitan market the products of their industries in competition with those of other under-developed countries which did not have such an assured market for their produce.

The delegation of Chile, realizing the advantages of a preferential system for young economies, had proposed the inclusion in the new Agreement of Article 15 of the Havana Charter, but unfortunately this had not been accepted by the working party concerned, and among the countries which opposed its adoption was the United Kingdom. Mr. Garcia Oldini found it incomprehensible that when it was a question of the establishment of such a system with carefully elucidated procedures and conditions into which these dependent territories for which the United Kingdom was now requesting special treatment could have entered, the United Kingdom had opposed the proposal. This seemed to be yet another case of lack of objectivity in considering matters. Mr. Garcia Oldini requested that if this matter were referred to a working party, the working party should reconsider the Chilean proposal for the inclusion of Article 15 of the Charter.

Mr. BROWN (United States) sympathized with the purposes of the United Kingdom proposal, but found considerable difficulty with its form. The United States regarded the individual treatment of cases as they arose as the best technique to deal with this problem. He was aware of the difficulties of the method of individual waivers for the United Kingdom, and was disposed to examine carefully some other solution. The solution proposed by the United Kingdom in L/296, however, seemed too broad and undefined. Furthermore, the transformation of a metropolitan territory into an under-developed area for some purposes had serious implications. He supported the proposal that the matter be examined by a working party.

Mr. PORCEL (Cuba) sympathized with the motives of the United Kingdom proposal, but felt it would be detrimental to other under-developed countries, and opposed it.

Mr. JHA (India) shared the view expressed by the United Kingdom that the General Agreement should apply equally to all countries. If this proposal had merely been to agree that the under-developed areas might require special measures, there would perhaps have been no opposition. It was the type of proposal submitted that had led to the criticism. The real point was not that the benefits should necessarily be restricted carefully only to the dependent territories, but the danger that some other country might be injured by these benefits. It was unfortunately, inevitable that in trying to assist the under-developed countries through discriminatory measures, there was always the possibility of injuring some other perhaps even more under-developed country. However, the measures which might be taken under the Agreement, as it stood at

present, at least had the merit of being open to all under-developed countries. Since the dependent areas were, presumably, not under-developed because they were dependent, the solution to their problems of under-development should not be based upon their dependent status.

Mr. Jha thought there were three possibilities of dealing with this situation. There was first the possibility of specific waivers to meet individual cases, and if this alone were not practicable there might be a statement of principles inserted in the Agreement to be borne in mind when such waivers were requested. A general escape clause could not, however, be granted. Secondly, a solution which was generalized to all under-developed countries might be sought; or finally, the United Kingdom might attempt to give greater detail and a more specific character to its proposals. So wide a provision as that presently proposed, however, was difficult to support, despite his sympathy with its motives.

Mr. HADJI VASSILIOU (Greece) said that his delegation was neutral in this matter, and would merely comment on the general principle. The important question was whether the CONTRACTING PARTIES would continue to make of the Agreement a juxtaposition of special cases. Uniformity was obviously impossible because of the diversity of economic conditions throughout the world. On the other hand, if the principle of non-conformity were adopted, immediately questions of discrimination and regionalism were raised. This proposal appeared to give support to the concept of regionalism, but the United Kingdom had, when this concept had been invoked in the case of Europe, opposed it. There was a danger of giving the impression of contradictions when the main effort should be to bring about or to facilitate the introduction of certain modifications to the structure of world commerce.

Mr. SUETENS (Belgium) said that although he sympathized with the motives behind the request of the United Kingdom, he found that the formula proposed required much clearer definition, including a definition of procedure in consultations. Care must be taken not to damage third countries not to provide too many advantages for the metropolitan country.

Mr. COUILLARD (Canada) sympathized with the motives behind the proposal and understood it as expressing the willingness of the United Kingdom to accept still further responsibilities and sacrifices on behalf of its dependent territories. Nevertheless, the formula proposed was too broad and too vague and did not include protection for the interests of third countries. He supported the investigation of the matter by a working party.

Mr. COHEN (United Kingdom) emphasized that imperial preferences, to which so much allusion had been made during the discussion, had been only one of the examples he had given of ways in which the overseas dependent territories might be assisted. Other ways which, under the provisions of the Agreement, were allowed to the metropolitan territory and to independent countries such as export subsidies, countervailing duties and perhaps even, after the Review, quotas, should also be made applicable to the dependent territories. The United Kingdom only requested that they should be able to treat these territories as part of their own domestic market. The tariff instrument was already being used in most cases

as far as was possible and imports of these territories now entered the United Kingdom market free of duty. Reference had been made during the discussion to the amount of business already transacted under the preferential area. Mr. Cohen said that the amount of business transacted by the dependent territories was a very small proportion and was the only subject of this proposal. It had been suggested that the waiver already granted to the United Kingdom for a release of its obligations under Article I was the first move, of which this was the second, in a systematic programme to undermine the provisions of Article I. Mr. Cohen emphasized that he was arguing this case on its merits, that the waiver of the preferential rule was required here in order to enable the United Kingdom to discharge its obligations to its dependent territories. Incidentally, he would remark that the waiver granted to the United Kingdom last year did not apply to Commonwealth imports. The Indian representative had referred to the danger that under-developed countries, by their action to protect their own industries and markets, might injure one another. This was regrettable, and of course he was not able to guarantee that the action that might be taken by the United Kingdom, if it were granted the freedom it was presently requesting, would not injure other under-developed countries. However, it seemed unjust that the dependent territories which were also under-developed were denied the same means of protection which were allowed to under-developed independent countries under the Agreement. He was asking for equality of treatment and to obtain this equality of treatment different solutions were sometimes required.

The United Kingdom was open to any proposals to improve or facilitate the request it had made, but he did hope that proposals would be constructive. To say that the United Kingdom should come to the CONTRACTING PARTIES for a waiver each time it wished to do something for the dependent territories was not, in his view a constructive solution and involved treatment quite different from that accorded to other under-developed areas under the Agreement.

Mr. MACHADO (Brazil) emphasized that the main issue here was the question of discrimination and pointed out that the area of discriminatory preferences had been increased at each session of the Agreement. He could not agree to put the under-developed dependent territories on a more favoured basis than under-developed independent territories.

Mr. CLULOW (Uruguay) shared the view of the delegates of Brazil, Chile and Greece and thought that Article XVIII covered the case of the United Kingdom. An interpretative note might be added to that Article to the effect that nothing in the Agreement should prevent extending the same advantages to under-developed dependent territories as to independent under-developed countries. Mr. Clulow thought that this should be sent to the working party studying Article XVIII.

The CHAIRMAN remarked that the majority of speakers were sympathetic to the principles behind this proposal but considered that the form in which it was presented was too broad, widened the area of preferences and threatened damage to third countries. Some had suggested the use of the waiver procedure for these cases. Since there was no single working party to which this could be conveniently referred, he suggested the establishment of a separate working party with the following membership and terms of reference:

Working Party on Dependent Overseas Territories

Membership:

Chairman: Dr. Kurt Enderl (Austria)

Belgium	Dominican Republic	Italy
Brazil	France	Rhodesia and Nyasaland
Canada	India	United Kingdom
Denmark	Indonesia	United States

Terms of Reference:

To examine in the light of the discussion in plenary session, the proposal of the United Kingdom relating to the special problems of the dependent overseas territories (L/296) and submit recommendations to the CONTRACTING PARTIES.

The CHAIRMAN said that this working party should take into account the views that had been expressed in the meeting and, if necessary, consult with Review Working Party IV, in connection with the Chilean proposal relating to Havana Charter Article 15 and with the working party dealing with Article XVIII.

The terms of reference and membership were approved.

2. French Special Temporary Compensation Tax on Imports
(consideration of draft decision, L/302)

The CHAIRMAN introduced the draft decision to which the attention of the CONTRACTING PARTIES had already been drawn at its previous meeting.

Mr. ANZILOTTI (Italy) stated that the Italian delegation had hoped that circumstances would have already permitted the French Government to abolish this tax in the general interest of the fundamental rules of the Agreement. However, the French Government had declared that it intended to limit, as far as possible, the incidence of the tax and to give it a temporary character. On this basis, which undoubtedly reduced the significance attaching to the French measure, the Italian delegation would approve the draft decision prepared by the Chairman.

The Italian delegation had taken note with satisfaction of certain measures already taken by the French Government, in particular its intention to do all possible to abolish, within the shortest possible time, the tax in question, as well as its firm intention to adopt concrete measures in order to achieve a more liberalized trade. His Government had also noted the fact that the French Government was distressed at the concern caused by the adoption of these measures and had stated that their purpose was not protection, but the providing of a transitional step towards action for still further liberalization. Another reassuring element was the fact that the French Government was prepared to inform the CONTRACTING PARTIES of the modifications which it would make to this situation, thus proving its willingness to take definitive action in a

spirit of co-operation and within the framework of the GATT. The Italian delegation was convinced that it would not be difficult for the French Government to eliminate quickly certain obstacles of a technical nature which might arise as a result of the recent modifications to the compensation taxes.

Mr. SUETENS (Belgium) wished to congratulate the French Government on the steps it had taken towards extending liberalization of its trade, steps which had been welcomed by his own Government. Mr. Suetens, however, had certain hesitations concerning the draft decision prepared by the Chairman, particularly with the paragraph beginning "The CONTRACTING PARTIES take note of the action taken on 16 November 1954...".

He had been surprised and distressed at a decree issued on 10 January 1955 which reinstated certain of the taxes that had previously been lowered or abolished, and not only reinstated them, but at their highest level of 15 per cent. If the CONTRACTING PARTIES were to take note of the action taken by the French Government in November of last year, they should also take note of the action taken by the French Government this month. This action seemed inconsistent with an undertaking eventually to abolish the taxes. Mr. Suetens emphasized that the products affected by the tax were of great importance to Belgian trade.

Mr. LARRE (France) thanked the Italian delegate for his statement and the Belgian delegate for his remarks on the liberalization of French trade. With reference to the rate of 15 per cent to which the Belgian representative had alluded he explained that the policy of his Government, since the introduction of the system, had been to establish temporary taxes at the time when a product was liberalized at an initial rate of 15 per cent for some and 10 per cent for others. After a certain period of time these rates were reduced to 11 and 7 per cent. This had been done on 16 November for products which had been liberalized in May. The tax had been imposed for the products liberalized in January at the initial rate. After a period of time, and if the Government was satisfied that the industries concerned were used to the new atmosphere of competition, these rates would be reduced to 11 and 7 per cent. The Minister of Economic Affairs had declared recently in OEEC that the system of accompanying liberalization by taxes was necessary to permit the liberalization of products which were more sensitive to competition and that the taxes would be reduced as soon as it was possible to do so.

The Belgian delegate had referred to the Decree of 10 January. It was true that for certain products, comprising 16 items of the tariff schedule and 0.5 per cent of the European trade of France, this decree had reintroduced taxes of 15 and 10 per cent. The latter half of 1954 had been a period of massive imports of these products and the Government had been faced with the alternative of either abolishing liberalization or of reintroducing the tax. They had decided to maintain the liberalization, although the OEEC did not oblige them to do so and, in order to do this, they had had to reintroduce the tax at the initial rate. For the products for which the rate introduced in January was higher than the initial rate, his Government intended, by a decree which was presently under preparation and would presumably be issued next week, to reduce the rate to 11 or 7 per cent.

Mr. HADJI VASSILIOU (Greece) had taken note with satisfaction of the declaration by the French delegation to the effect that the tax in question was a provisional measure the suppression of which was envisaged as soon as possible. He referred to a similar measure which had been taken in the past by the Greek Government. The fact that an identical measure had had to be adopted by a contracting party (a measure which had then been judged with particular severity by the CONTRACTING PARTIES), showed that in the financial life of governments there were moments when they were obliged to have recourse to measures which were not always considered orthodox from the point of view of the Agreement. His delegation was obliged to note the difference in the attitude of the CONTRACTING PARTIES with regard to the Greek measure and in their attitude with regard to the French measure. The Greek Government had been called before the Panel on Complaints in a fashion which had seemed to them somewhat humiliating. Such was not the case for the French Government. Furthermore, no time limit was contained in the proposed Decision for the abolition of the tax. There had been a time limit in the resolution taken with regard to the Greek case.

The Greek delegation was happy to see this development in the attitude of the CONTRACTING PARTIES and was particularly pleased that the French Government (which had been one of their strictest critics) had not had to undergo the same severity. Nevertheless, he wished to draw the attention of the CONTRACTING PARTIES to the inadvisability of continuing to give the impression that contracting parties could be subject to different standards.

The DEPUTY EXECUTIVE SECRETARY, referring to the difference of treatment alluded to by the Greek representative, thought he was referring to the report adopted by the CONTRACTING PARTIES on 3 November 1952 (BISD, First Supplement, page 48) for which case no resolution had been adopted by the CONTRACTING PARTIES. The matter had been deferred in order to address an enquiry to the International Monetary Fund. Before the next session of the CONTRACTING PARTIES, the Greek Government had taken action which made it unnecessary for the CONTRACTING PARTIES to reconsider the matter. The Greek delegation he thought must be referring to the resolution adopted by the CONTRACTING PARTIES on the occasion of another complaint at the same session, relating to an increase in the coefficients which resulted in the modification of concessions bound in Schedule XXV. It was true that the CONTRACTING PARTIES had fixed a time limit in that Decision, but it related to a matter of the Schedules which was quite different from the question of internal taxes.

Mr. GOERTZ (Austria) was gratified to see this proposed decision. The French tax had been of concern to his country and he hoped that they would soon be able completely to abolish it. The Austrian Government were prepared to accept the Organization for European Economic Co-operation's resolution on the subject. Nevertheless, he was instructed to enquire of the French delegation about the new measures instituted in January and to emphasize that the 15 per cent tax which had been re-established for certain products completely stopped Austrian exports to France.

Baron BENTINCK (the Netherlands) stated that in the light of the recent French measures his delegation had had to reconsider its position regarding the proposed resolution. On 10 January a number of items, the tax on which had been reduced from 10 to 7 per cent on 16 November, had been made subject to a 15 per cent tax. Others which had originally had a tax of 10 per cent also reduced to 7 per cent, had been returned to the old rate of 10 per cent. Certain items which had been liberalized in April without any tax at all had had taxes of 15 or 10 per cent applied. He wished to know what adjustments were contemplated to this situation in the future. These new increases introduced an element of instability and caused undue alarm to exporting interests. Such increases, even when they might be applied in conjunction with general decreases in the tax were contrary to the draft decision. However, the Netherlands delegate was aware that although the French measures affected some items for which duties had been bound in the Schedule this number was limited and he would not wish to delay the taking of a decision by the CONTRACTING PARTIES in this matter. He would reserve the position of his Government to take up the matter again either before the CONTRACTING PARTIES or before the Ad Hoc Committee on Agenda and Intersessional Business when the general application of the present measures was being considered by them.

Mr. LARRE (France) explained that when France instituted the second series of liberalization measures in January 1955 they had applied to the newly liberalized products either taxes of 15 per cent or 10 per cent or no tax at all. The taxes would be reduced after a period of a few months. They had at the same time raised the rate on sixteen products which had been liberalized in May 1955. These formed an infinitesimal proportion of the total of liberalized products and were products the import of which had vastly increased over the past few months. Increases of 150, 200, 300 and even 800 per cent were recorded. As he had stated before, his Government was faced with the choice of withdrawing the liberalization or of taking some measure, somewhat along the lines of the protection foreseen in Article XIX, to limit these imports. The French Government was willing to consider the withdrawal of liberalization if that was what the CONTRACTING PARTIES desired, but they felt that even with the existence of the tax they were acting in the interest of an expansion of trade. He reiterated the fact that a decree was in preparation to reduce the taxes which were higher than those originally introduced for the same products.

The proposed decision was adopted by the CONTRACTING PARTIES.

Mr. LARRE (France) thanked the CONTRACTING PARTIES for their action and reiterated Mr. Edgar Faure's assurances that the tax had been instituted only in so far as required to permit liberalization, and the intention of the French Government to reduce it as soon as possible with a view to eventual suppression. France would co-operate with the Intersessional Committee in the spirit of the Decision.

4. Accession of Japan:
• Participation of Japan in Session of the CONTRACTING PARTIES
(Consideration of draft decision and declaration, L/295)

The CHAIRMAN introduced the draft decision on the participation of Japan in the session of the CONTRACTING PARTIES and the draft declaration on commercial relations between contracting parties and Japan. Approval by the CONTRACTING PARTIES was required for the extension of the date of 30 June 1955 contained in the original decision. The declaration on the other hand concerned only the signatories of the original declaration.

Mr. HAGUIWARA (Japan) referred to the decision taken earlier in the Session concerning the opening of negotiations with Japan in February. These might perhaps end in May and with the ordinary procedure of a protocol requiring a certain number of signatures, it was hardly possible to foresee the admission of his country before, say, September and certainly not before the expiry of the date contained in the original decision. In order to avoid such a hiatus it was necessary to maintain the status quo until the admission of Japan as a full contracting party. At the moment he thought only a question of procedure should be settled and the actual taking of a decision by the CONTRACTING PARTIES could be postponed until later in the Session.

The CONTRACTING PARTIES noted the draft decision and deferred action until a later meeting.

5. Budget

The DEPUTY EXECUTIVE SECRETARY explained that authority was needed from the CONTRACTING PARTIES in order to transfer funds from the section of the budget relating to intersessional meetings to the section relating to unforeseen expenses in order to meet the expenses of the Ninth Session which had thus far caused an overspending in the section of unforeseen expenses. There was no question of increasing the budget nor any change in the estimated expenditure for the year. He would issue a paper giving the details.

The meeting adjourned at 6 p.m.

