

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

SR.10/1

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## CONTRACTING PARTIES

Tenth Session

### SUMMARY RECORD OF THE FIRST MEETING

Held at the Palais des Nations, Geneva  
on Thursday, 27 October 1955, at 2.30 p.m.

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

#### Subjects discussed:

1. Tributes to Mr. Max Suetens
2. Opening Statement by the Chairman
3. Election of Chairman and Vice-Chairmen
4. Order of Business
5. Status of the Agreement and Protocols
6. Extended Use of Panels

#### 1. Tributes to Mr. Max Suetens

The CHAIRMAN referred to the heavy loss sustained by the CONTRACTING PARTIES in the death of Mr. Max Suetens in August. He had been one of the founders and strongest supporters of the General Agreement and would be missed very much in the work of the CONTRACTING PARTIES. He would be missed personally by all those who had known him. He asked representatives of the contracting parties to join him in a brief silence in honour of Mr. Suetens.

The representatives of the United Kingdom, Canada, Germany, Luxemburg, France, Italy and Japan associated themselves with the Chairman's expressions of tribute and loss and referred to Mr. Suetens' part in the creation of the Agreement and to the strength and understanding he had always brought to its deliberations.

Mr. FORTHOMME (Belgium) thanked the Chairman and other representatives for their tributes.

#### 2. Opening Statement by the Chairman

The CHAIRMAN addressed the CONTRACTING PARTIES on the work before them and formally opened the Tenth Session. He referred to the Organization for Trade Cooperation and the importance of pressing forward as quickly as possible with its ratification. He spoke of the continued high general level of economic activity, which, however, was now combined with difficulties in various countries which seemed to have slowed down the progress towards convertibility and a freer system

of trade and payments. The remedies which were being applied were, however, encouraging in that they were largely attempts to correct disequilibrium by internal measures still enabling countries to maintain a high level of international trade. The Chairman spoke of the accession of Japan by unanimous vote and welcomed that country as a full contracting party. One of the most important items of the agenda was the examination asked by Japan of the situation in connexion with the recourse by fourteen contracting parties to the provisions of Article XXXV. The Chairman referred to the Article XXVIII negotiations, the forthcoming tariff negotiations conference, the draft Commodity Arrangements Agreement and other items on the agenda. The text of the Chairman's statement is reproduced in Press Release GATT/243.

Mr. TAKASAKI (Japan) thanked the Chairman for his expression of welcome and voiced the appreciation of his Government for the votes favourable to the accession of Japan. His Government was anxious to see Japan occupy its rightful place among the trading countries in order that it might be afforded a fair opportunity to compete in world trade with them. Having been admitted as a contracting party, Japan would act together with its fellow contracting parties in accordance with the spirit of the Agreement.

### 3. Election of Chairman and Vice-Chairmen

The CHAIRMAN, referring to the expiry of the terms of office of the present Chairman and two Vice-Chairmen, in accordance with Rule 10 of the Rules of Procedure, called for nominations to these offices.

Mr. BARBOZA CARNEIRO (Brazil) stated that his country, following the tradition of all in Latin-American delegations to international conferences, favoured a system of rotating chairmanships. His Government felt, however, that in this critical transitional phase when the process of revision and consolidation of the Agreement and organization was still incomplete, it would be wiser to retain the services of the Chairman and his associates for the period immediately ahead. He proposed the prolongation of the terms of the Chairman and Vice-Chairmen. Since, however, Mr. GUNNAR SEIDENFADEN of Denmark had been called to other duties, he proposed that Mr. KOHT of Norway be elected as the second Vice-Chairman.

Mr. AZIZ AHMAD (Pakistan) supported the Brazilian nomination for the Chairman.

There being no other proposals, Mr. WILGRESS was declared unanimously re-elected Chairman.

Mr. KRISTIANSEN (Denmark) seconded the nomination of Mr. KOHT.

There being no other proposals, Messrs. OLDINI and KOHT were declared unanimously elected Vice-Chairmen.

4. Adoption of Agenda (L/417/Rev.1)

The CHAIRMAN introduced the provisional agenda (L/417/Rev.1) which was submitted by the Intersessional Committee. Specific observations were made on the following items:

Samples Convention

The CHAIRMAN said that this Convention would enter into force in November and the Customs Cooperation Council had asked the CONTRACTING PARTIES to interpret one of its provisions.

United States Export Subsidy on Oranges

In reply to an observation by the South African representative, supported by the Italian representative, that discussions on this item were taking place in the various capitals and thus the status of the item was not clear, the CHAIRMAN suggested that the item be retained on the agenda for the moment.<sup>1</sup>

German Discrimination in Coal Imports

Mr. BONBRIGHT (United States) said that consultations had occurred between the United States and Germany on this matter, on the basis of which the United States wished to withdraw the item, reserving its right to bring the matter again to the attention of the CONTRACTING PARTIES, should it prove necessary.

Mr. KLEIN (Germany) thanked the United States representative for his statement and hoped that the matter had been definitely settled on the basis of the bilateral discussions.

The CONTRACTING PARTIES agreed to the deletion of this item.

Proposed New Items

Mr. BONBRIGHT (United States) said that his delegation might wish to propose another item for inclusion in the agenda relating to a Cuban tax on imported agricultural products and books. Discussions were presently going on between the two Governments. Cuba and the United States were usually able to settle any differences which arose between them but there might be a question involving the interpretation of the protocol of Provisional Application which they would wish to bring before the CONTRACTING PARTIES.

The CONTRACTING PARTIES noted this possible new item.

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<sup>1</sup>See SR.10/3

Mr. STANDENAT (Austria) said that his Government had addressed to the Executive Secretary a request for the inclusion of two additional items. Firstly, the Austrian Government had been unable to sign the Declaration on the Continued Application of Schedules before the closing date of 30 June, but the Austrian Parliament had since that date approved the Declaration and his delegation would request authority to sign. Secondly, Article XXVIII negotiations between Austria and Italy would probably not be finished within the sixty-day period foreseen in paragraph 4 and they would wish to request authority to pursue these negotiations until 30 January 1956. Mr. Standenat had been given to understand by the secretariat that these matters could be raised under item 24 (Declaration on the Continued Application of Schedules) and need not be specially inserted.

The CHAIRMAN replied that it would be in order to raise these items under the item, Declaration on the Continued Application of Schedules.

The agenda was adopted subject to the amendments and observations above.

### 5. Order of Business (L/439, Section I)

The CHAIRMAN referred to recommendations of the Intersessional Committee regarding the arrangements for the Tenth Session, and the order of business. The latter had been drawn up with a view to the most expeditious despatch of the work of the Session and after consulting with various interested parties as to what dates would be most convenient for the discussion of certain items.

The CONTRACTING PARTIES approved the recommendations of the Intersessional Committee that the hours of meetings should be 10 a.m. to 2.30 p.m., that simultaneous interpretation should be used for all plenary meetings and as to the timing and order of business.

### Status of Agreement and Protocols (L/436)

The CHAIRMAN said that the "Definitive Application of the Agreement", "Protocols of Amendment" and "Agreement on Organization for Trade Cooperation" had been placed early in the Agenda with the view of affording an opportunity to representatives to express their views and hopes on the GATT in the light of past experience. It would therefore be in order for general statements of policy to be made.

Mr. BONBRIGHT (United States) referred to the acceptance by his Government of the two amending protocols and to the fact that the Organizational Agreement had been submitted to Congress. They were hopeful of securing Congressional approval at the next legislative session. The General Agreement was being strengthened in other ways. A new general round of tariff negotiations was to take place and the United States would participate in this. The Government of Japan was now being welcomed as a full contracting party. Economic conditions in the world continued to be favourable and the United States was encouraged by the dollar liberalization in Western Europe. Among the factors

contributing to this improvement was the important rôle which had been played by policies directed toward monetary stability. Another considerable factor was the high level of economic activity in the United States.

The full text of Mr. Bonbright's statement is reproduced in Press Release GATT/245.

Mr. SANDERS (United Kingdom) pointed out that while the economic situation in the world at large had considerably improved, there was less immediate hope of that speedy progress to attaining fully the objectives of the Agreement which had been hoped for at the Review. His Government had always taken the view that this progress must be one in which all countries played their part. The United Kingdom had found that its own balance-of-payments difficulties were not yielding as rapidly as expected; they recognized the immediate causes and were determined to deal with those factors which it was in their power to remedy. The supplementary budget was evidence of this determination. It was to be hoped that the difficulties of inflation would be tackled everywhere.

The progress that had been looked for in United States commercial policies toward the liberal objectives of the Agreement had been slower than hoped for, and in fact there had been developments in a contrary direction. At the Intersessional Committee meeting in September his delegation had expressed concern at the action taken with regard to the import of bicycles; all the more so as it coincided with actions in other fields which gave rise to doubts as to the possibility of developing dollar earning trade to the extent necessary to enable general progress in the reduction of trade barriers. It was fair to recognize that these actions must be viewed in perspective with regard to United States policies as a whole, but there was concern not only at the specific damage caused but at the general uncertainty resulting. He would pay tribute to the efforts to enable the United States to participate in general reduction of tariffs without which the forthcoming multilateral tariff conference could not have been arranged. Yet it had to be recognized that the powers of the United States administration were severely limited as to the extent of the possible reductions, apart from the limitations which domestic considerations imposed on the area over which they could be used. This was bound to have an effect on the total achievements of the conference. Countries intending to participate had committed themselves to do their best to achieve the maximum results from the conference.

Mr. Sanders was glad to hear the United States statement of the administration's determination to secure the approval of the Organizational Agreement, and it was to be hoped that their efforts would be successful. Meanwhile, the Protocols of Amendment were open for signature and had been signed by very few countries so far. He hoped that a considerable number of governments would sign before the date set at the Review. With regard to the ratification of the Organizational Agreement by his own Government, they had stated that they would decide when to sign in the light of developments in its consideration by the United States Congress.

Mr. BARBOZA-CARNEIRO (Brazil) welcomed the entry of Japan as a contracting party. Brazil had had to invoke Article XXIV. Negotiations were in progress between Brazil and Japan the outcome of which he hoped would be successful and enable this reservation to have no further effect.

Mr. Barboza-Carneiro said that the revised Agreement had been submitted to his Government which had examined it carefully in conjunction with the commercial interests involved. The modifications in the text of Article XVIII recognizing the diversity which existed in the economic structure of contracting parties had in large measure contributed to the acceptability of the revised Agreement by Brazil. Whilst recognizing that many amendments supported by the underdeveloped countries at the Ninth Session had not been included in the revised text, his Government considered that this document represented a reasonable compromise. It had been submitted to Congress with a view to ratification, which would enable Brazil to add its signature to that of other contracting parties. For administrative reasons his Government, would, however, not be able to accept the text of the revised Article VIII, which would have the effect of eliminating certain documents at present required for imports. It had therefore to reserve its position on that Article.

His Government had abstained from signing the Declaration on the Continued Application of Schedules because, for fiscal and economic reasons, it proposed to replace the present specific tariff by an ad valorem tariff. The revision of the tariff had been completed and it was very likely that the project would shortly be submitted to Congress. As soon as the vote had been taken his Government would communicate the details of the new tariff to the CONTRACTING PARTIES. It was estimated that a period of twelve months from the date of its entry into force would suffice for the renegotiation of the modifications introduced. It would not effect the volume of Brazil's international trade unfavourably and would enable Brazil to introduce more rational protective measures, in particular to transfer normal protection from the financial to the tariff sphere. In the last resort Brazil's continued participation in GATT would depend on the understanding shown by the CONTRACTING PARTIES to the new tariff.

Mr. ISBISTER (Canada) referred to the accomplishments of the Review Session which they felt had strengthened the Agreement. There had, of course, been some set-backs and his delegation had, for example, opposed the United States waiver on agricultural imports. His delegation wished, however, to congratulate the United States Government on the discretion with which it had used this waiver and on the removal recently of certain import restrictions. He referred to the agenda item concerning the disposal of surpluses and welcomed this as it had become clear that there were serious deficiencies in this field. The full text of Mr. Isbister's statement is contained in Press Release GATT/246.

Mr. KLEIN (Federal Republic of Germany) welcomed the accession of Japan to the GATT. He said that his Government would shortly issue a draft law concerning the ratification of the Protocols of amendment and the OTC. His delegation had good reason to hope that this law would be approved by the German parliament. He also expressed the hope that other contracting parties would make every effort in this direction.

The relaxation of the existing restrictions on trade was the main subject discussed at the Ninth Session, and he felt that certain progress in the liberalization of trade had been made since that time, in which his Government had played its part. In particular it had succeeded in further liberalizing its trade with the dollar area, but its efforts had often been impeded by foreign trade restrictions in other countries. His Government had expressed its willingness to participate in the proposed tariff negotiations conference, though it would have preferred it to be conducted on the basis of a general and automatic reduction envisaged in the old GATT plan.

The Working Party on Commodity Problems set up at the Ninth Session had produced an interesting report on its activities, though further careful study would have to be given to the problem. In the opinion of his Government, trade in primary commodities should be guided by the general principles of GATT, and the agreement on primary commodities should take into account existing agreements between individual countries. Germany believed that a close connexion with the General Agreement should be maintained.

The German delegation hoped that there would be a fruitful exchange of ideas in the discussion on the Third Annual Report of the European Coal and Steel Community. The Belgian and Luxemburg requests for waivers from Article XI were of particular interest to Germany and a test case, whether the CONTRACTING PARTIES were able to settle difficulties as they arose in the application if the procedure worked out.

Mr. JHA (India) stated that his Government hoped to be in a position to ratify the Protocols of Amendment and the Organizational Agreement during the present session. His Government had decided, although it was not constitutionally necessary, that the matter should be discussed in Parliament in view of its importance and of the volume of criticism of the Agreement. As a result of the debate, the Government policy of acceptance of the revised Agreement had been generally endorsed, a fact of considerable significance in the light of the recent distrust and misunderstanding. The real test of the Agreement lay in the way in which it affected international trade and economic development. He had been encouraged by the statement of the United States delegate, as there had lately been apprehension in India lest the United States reverse its policies. With regard to the forthcoming negotiations, his country, while recognizing that it was not necessary for all countries to participate, had decided to take part in however limited a

way was in their power, in recognition of their obligations and to demonstrate their anxiety to contribute to the success of these negotiations. They had, therefore, been disappointed that many of the most important items on his Government's small request list had not appeared on the United States public list.

He welcomed Japan as a full contracting party. India had always supported Japan's accession. They had unfortunately to invoke Article XXXV at the present time, and he referred to his Minister's statement in Parliament that they shared the concern expressed at Japan's accession but that India could not neglect the interests of other Asian countries. Most-favoured-nation treatment had been accorded to Japan since the Peace Treaty, and India had been almost the first country to treat Japan like other soft currency countries in its licensing system. It remained, however, vulnerable to cheap Japanese products. It was with regret that it had had to invoke Article XXXV but only as a precaution and with no intention to discriminate. He hoped that an understanding with Japan would soon be reached.

Mr. DUHR (Luxemburg) said that, with regard to the acceptance of the Protocols of Amendment and the OTC, his Government's view would be influenced by the treatment which the CONTRACTING PARTIES accorded to their request for a waiver from the provisions of Article XI. He hoped the result would be favourable and that his Government would then be able to sign all the Protocols.

Mr. ROCHEREAU (France) said that his Government had not yet made known its decision on the acceptance of the protocols of Amendment. This question was at present being studied, and the decision would be communicated before 15 November. At the Ninth Session his delegation had urged caution in the revision of the agreement, and subsequent events had largely justified this attitude. The financial position of some of the most important trading nations had worsened, and at the present moment it was difficult to foresee if and when the ideal of free multilateral international trade would be achieved. His Government had participated actively in efforts in this direction, as proved by the measures adopted relating to the liberalization of imports from OEEC countries. France's economic position had developed favourably in the last year, production had continued to increase, the standard of living had improved, as also the external financial situation. However, caution was still necessary in the conduct of France's foreign trade policy. The demands of the overseas territories were considerable, and regard should be had to the fact that a large part of the national income was devoted to economic and social development in these territories.

Mr. NOTARANGELI (Italy) stated that his Government was engaged in preparing the legislative instruments to secure ratification of the Review protocols. He expressed his satisfaction at Japan's accession.

Mr. TAKASAKI (Japan) said that his delegation was authorized to sign the protocols of Amendment before the end of the present session, subject to the development of the discussion on the question particularly vital to his country. With regard to the Organizational Agreement, his delegation would wait before taking action.



Mr. WARWICK SMITH (Australia) said that Parliament had endorsed his Government's intention to ratify the Review protocols. This action was subject to the proviso of prior acceptance by the United States and the United Kingdom. It would therefore await further developments in this field. The results of the Review had in general made the General Agreement more acceptable to Australia.

The CHAIRMAN stressed the 15 November date for ratifications and hoped that more progress would have been made by then. Ratification of the Protocols of Amendment should not wait upon action on the Organizational protocol.

#### 6. Extended use of Panels (L/392/Rev.1)

The CHAIRMAN introduced the Note by the Executive Secretary (L/892/Rev.1) setting out considerations concerning the extended use of panels on the basis of a suggestion made originally by the Danish delegation. The recommendations (paragraph 10) of the Executive Secretary's Note were that the panel system continue to be used for complaints, and the experimental use during the Tenth Session of a similar procedure whenever possible for dealing with other matters.

Mr. KRISTENSEN (Denmark) stated that the proposal before the meeting was acceptable to his Government, though they would have liked it to go somewhat further.

Mr. JHA (India) said that his Government considered the Panel of Complaints procedure extremely useful, but felt there were dangers in extending it, particularly to consultations under Article XII. For some problems it was most important that consideration should be given not in a limited, specific and expert fashion, but by the CONTRACTING PARTIES who could draw on the experience of the working of the General Agreement. The Panel procedure was particularly useful whenever special questions of fact or law had to be determined. Balance of payments consultations were wider in scope and purpose, and moreover the position of a consulting country differed considerably from that of one against whom a complaint had been lodged. Furthermore, Article XII consultations should entail a wide sharing of information. His Government were in favour of extending the Panel procedure, but cautiously and only where suitable.

Mr. KLEIN (F.R. of Germany) said that his Government was of the opinion that the treatment of individual complaints in panels during the preceding sessions had been useful and successful. He felt the remarks contained in paragraph 10 of the Executive Secretary's Note were valid in that sufficient experience of panel procedure had not yet been gained to justify its extension. His Government took the view that panels were suitable for treating individual complaints concerning the relations between two countries. Working Parties should be retained for all problems of general

interest to the CONTRACTING PARTIES, or to a considerable number of them, especially in cases where general principles of the GATT were involved. His delegation wished to propose that in each individual case the CONTRACTING PARTIES decide as to the applicable procedure.

Mr. ROCHERSAU (France) said that his Government was in agreement with the first recommendation of the Executive Secretary, but that the second should be carefully studied and only followed with caution. The Working Party technique was in many cases more attuned to the nature and spirit of the General Agreement. The psychological difficulties which existed in working parties had been stressed. Parties directly interested felt unable to give their opinions freely as they were on an equal footing with all the members of the working party. These difficulties, however, could be turned to advantage in that they led to negotiation and compromise. The ideal of free association which had been developed in GATT could find better expression in working parties.

Panels had been successful in OEEC which did not, however, signify that this procedure should be generally adopted by the CONTRACTING PARTIES. OEEC countries were less diversified and on many problems they were closely linked. In panels, matters were examined and solutions proposed on a technical rather than a political level, and the prestige of the experts had to be such that their reports would, in effect, be adopted without further consideration. In OEEC the rule of unanimity applied, which obliged the experts to pay regard to the views of all interested parties. In GATT, on the other hand, majority decisions were taken and it was possible that solutions would be reached which did not take full account of the opinions of interested parties. The distinction between panels and working parties could perhaps best be equated with the distinction between a technical and a political problem. The panel procedure was no doubt useful when questions of fact were being considered, but not when these facts had to be appraised or modified. Without opposing the recommendations of the Executive Secretary, his delegation insisted on a cautious approach to the problem. Except for the consideration of routine administrative problems, they were in favour of working parties, and in certain cases it would perhaps be possible to combine the two procedures.

Mr. MACHADO (Brazil) pointed out that his Government wished some aspects to be clarified, in particular the way in which panels would be composed, and the terms of reference drawn up. The fact that experts were appointed to panels introduced a limitation, as they could only be expert in certain fields. His delegation would wish additional information before deciding on this question.

Dr. ISBISTER (Canada) said that the panel procedure adopted by the CONTRACTING PARTIES for dealing with complaints had been very successful. He agreed with the Indian delegate that not too much weight should be put on this sort of procedure, and they were most useful where a small number

of countries were substantially interested in a question. They were not suitable to Balance of Payments consultations. The Executive Secretary's second recommendation was a moderate one and would provide a useful basis for future action. It might well be found that there would be a few more instances where panels might be of use.

Dr. STAUDENAT (Austria) shared the hesitations of the Indian delegate and other speakers. His Government were in agreement with the first recommendation but found it difficult to accept the second. As the French delegate had pointed out, for legal and technical problems panels could be of great use, but for consideration of political and economic matters there could be certain dangers. The fact that panels had been successful in OEEC did not necessarily mean that this example should be followed. The desire for cooperation and compromise was the important fact, and if it did not exist, experts might arrive at a compromise which masked the existence of the difficulty, whereas a working party would recognise the impasse. He felt that it would be dangerous to extend the panel procedure to other fields.

The EXECUTIVE SECRETARY said that he had considered his second proposal a timid one. The French and Indian delegates had conveyed the nuance which he had intended. With regard to the points raised by the Brazilian delegate, both the composition of the panel and its terms of reference would have to be approved by the CONTRACTING PARTIES.

The CHAIRMAN said that the discussion had shown that the CONTRACTING PARTIES were not in favour of any radical changes in the procedures. It appeared that they wished to continue the panel system for complaints, while there was no agreement on extending the panel procedure to other matters, and if it were to be extended, only with great caution. They could continue to bear it in mind and any contracting party might propose the use of the panel procedure in special circumstances, each suggestion to be considered on its merits.

The meeting adjourned at 5.25 p.m.