

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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Page 13<sup>1</sup>

## SUMMARY RECORD OF THE SECOND MEETING

Held at the Palais des Nations, Geneva, on  
28 October 1955, at 10 a.m.

Chairman: Mr. L. Dana WILGROSS (Canada)

### Subjects discussed:

1. Financial statement and budget
2. Schedules
3. Australian renegotiation
4. Australian waivers - Papua-New Guinea
5. Papua-New Guinea waiver request
6. Accession of Japan

### 1. Financial statement and budget (L/422 and Add.1, L/423)

The ~~DEPUTY EXECUTIVE SECRETARY~~ introduced the report on the financing of the 1955 budget (L/422), the audit of the accounts (L/422/Add.1) and the budget estimates for 1956 (L/423). As would be seen from the report for 1955, the receipts had been satisfactory and only six contributions were outstanding, of which three - Italy, Chile and Pakistan - were expected shortly. He had no indication regarding the contributions of Cuba, Peru and Uruguay, although the Cuban authorities in Havana had advised that theirs would certainly be received before the end of the year. The receipts for miscellaneous income had exceeded the budget estimates considerably, some as a result of exceptional circumstances, but some as a result of an increase in the sale of publications which it was hoped would continue. The expenditure for 1955, on the other hand, had been particularly heavy and in general had exceeded the budgetary appropriations. A great deal of this increase was due to a permanent increase in the workload of the secretariat. This had to be taken into account in the 1956 budget estimates. The CONTRACTING PARTIES would note that the United Nations had approved the affiliation of the secretariat to the United Nations Joint Staff Pension Fund (paragraph 23 of L/422). There were still a number of problems arising out of the uncertainty of the relationship of the new Organization with the United Nations which the Working Party would no doubt wish to consider. With regard to the budget for 1956, it had become clear that the budgetary methods used hitherto were meeting with serious difficulties. Document L/423 contained

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<sup>1</sup> The page numbering of summary records will be consecutive throughout the summaries of the Session.

a model budget for the Organization for Trade Cooperation which was based on the present level of the work of the secretariat. This budget amounted to a total of \$596,000 as compared to the total estimate for 1956 on the present basis of \$448,800. A considerable effort was needed to stay within the present possibilities of contributions which involved difficulties both from the administrative and financial points of view. With regard to the estimates for 1956 on the present system, it would be seen that a considerable cash reserve was again requested, this in the light of the experience of the past year. It would be possible next year to cover the difference between current receipts and expenditure by drawing on the cash reserve, but it would be necessary in 1957 to bring the income from contributions into equilibrium with expenditure. The budget provided for authority to put into effect a training scheme for your officials of the contracting parties. This would involve no expenditure for the contracting parties, since the cost would be supported by the United Nations Technical Assistance Administration. However, in order that the programme could enter into effect early next year, it would be necessary for governments to propose candidates before 15 November.

Dr. NAUDE (Union of South Africa) referred to the existing units of contributions which were still based on estimates of trade percentages of several years ago. A comparison between the existing basis of calculating contributions and the trade figures adopted at the Ninth Session for the revised Article XXVI showed certain changes in the percentage shares of individual contracting parties. He suggested that it was time to review the shares used for budgetary purposes in the light of current figures and that the Working Party might consider this matter.

Mr. ISBISTER (Canada) referred to the suggestion regarding liaison officers in Washington, Bangkok and Santiago, and requested an explanation of the purpose and type of functions of such officers. His delegation also felt that it was perhaps time that the secretariat began more intensive work in the substantive fields covered by the Agreement. The results of special investigations in the past into such aspects as customs valuation had been unsatisfactory for lack of highly specialized personnel. On the agenda of the present session there was a proposal to enquire into anti-dumping and countervailing duties, and it was questionable whether the CONTRACTING PARTIES had the skilled personnel and resources necessary to carry through such an enquiry. Perhaps the Budget Working Party could consider whether the secretariat should not begin to assemble key personnel in various fields to enable them to produce reports and information.

The EXECUTIVE SECRETARY said that the proposal for liaison officers was contained in the model budget for the Organization, a budget which, however, he would consider desirable for the GATT at the present time were it on a more permanent basis. The Washington liaison office was mainly intended to improve the liaison with the International Monetary Fund, a matter which had been discussed at length during the Review. The other two liaison officers were intended to ensure closer and continuous relations with the countries in Asia and Latin America and with the regional Economic Commissions of the United Nations which were operating in those areas over fields in which they and the

GATT had common interests. As a matter of policy, he and the Deputy Executive Secretary had travelled in Latin America and Asia in the past two years in order to have a closer idea of the problems of those countries and to discuss with their ministers and officials the Agreement and its relevance to their problems. Europe and North America had an advantage in being closer to the operations of the Agreement and constant liaison was essential with the remoter countries, particularly those with serious economic problems, in order to ensure that the Agreement made the fullest contribution to their solution and to the economic development of those countries. The training scheme was a proposal in that same direction.

He was sympathetic to the suggestion of the Canadian representative regarding more work by the secretariat in substantive fields. Such work had in fact developed over the last two years, but budgetary limitations made it difficult to recruit personnel of the number and standard required or to offer steady and encouraging employment. The provision in the model budget for an Operations Section and a Commercial Policy Section in the Division of Administration of the General Agreement was directed at this particular problem.

Mr. MACHADO (Brazil) supported the proposals of the South African and Canadian delegates and felt that whatever action seemed necessary to improve the administration of the Agreement should be taken immediately and not postponed on the grounds that the permanent Organization was not yet established or that the situation was a temporary one. It was important that the CONTRACTING PARTIES should give the impression of confidence in the GATT. His country for one believed that the GATT was in fact indispensable. The basis for contributions should be adjusted to conform more to the actual situation and so as to balance the rights given countries under Article XXVI. He had been glad to see the proposal for liaison officers in Asia and Latin America in the light of the emphasis placed on economic development aspects during the Review. The existing co-ordination with the Fund tended to favour the industrial countries. The GATT should also receive the assistance of the representatives of the regional Economic Commissions which were immediately concerned with economic development and reciprocity of representation was most important.

Mr. KLEIN (F.R. Germany) supported the suggestions made by the South African and Canadian delegates. The proposal for liaison officers was also useful, particularly in Washington where it would be desirable to institute a small staff immediately.

The CHAIRMAN said that the Working Party on Budget should take into account the proposal to review the basis of contribution and that for increasing the secretariat's ability to deal with specialized matters.

The CONTRACTING PARTIES approved the appointment of a working party on the budget, with the following membership and terms of reference:

Chairman: Mr. O.P. Machado (Brazil)

Membership:	Australia	Turkey
	Brazil	Union of South Africa
	France	United Kingdom
	India	United States
	Indonesia	

Terms of reference:

To examine any questions arising in connexion with the financing of the 1955 budget and the proposals for the budget for 1956, and to submit recommendations thereon to the CONTRACTING PARTIES.

2. Rectification and modification of schedules (L/382 and Add.1)

The CHAIRMAN said that a number of proposals for rectifications had been made, and many schedules must be modified as a result of the negotiations in the past year. It would be necessary to prepare for signature a Fifth Protocol of Rectifications and Modifications. That task had always been entrusted to a working party.

Mr. RAMASWAMI (India) referred to the discussion at the previous meeting on the use of panels. His delegation had indicated its belief that that system would not be admissible in certain cases but wondered whether this was not a subject which could more conveniently be considered by a panel than by a working party. The various items concerned individual countries and were technical matters requiring the consideration of experts.

Mr. KLEIN (F.R. Germany) thought that the working party system had been successful in the past in this field and questioned the need for any change.

Mr. ANNIS (Canada) thought that in this instance it would be unwise to change a system which had proved satisfactory. The subject was of interest to many countries; technical experts could be nominated to the working party.

Mr. SANDERS (United Kingdom), while not strongly opposed, preferred that the hitherto satisfactory procedure be continued. If it were decided to experiment with the panel because of the nature of the problem in this particular year, it should be understood that no precedent would be established whereby this subject was always regarded as more suitably considered by a panel.

Mr. MACHADO (Brazil) supported the Canadian and German delegations. If panels were to be appointed, delegations should be given some warning that experts would be needed, otherwise there would be discrimination against those delegations which did not have particular experts present.

Mr. BONERIGET (United States) shared the view of the United Kingdom representative and preferred to retain the present system.

Mr. SWAMINATHAN (India) said that his delegation had merely thought this might be a possible and interesting case for experimenting with the panel system but, if the views of contracting parties were divided, would not insist.

The EXECUTIVE SECRETARY thought it would be most undesirable if the idea that, by using the panel technique, governments were in any way deprived of the opportunity to express their views should become prevalent. This would endanger the usefulness and prestige of the Panel on Complaints. The essence of the panel system was that every contracting party, whether interested in the actual case before the panel or interested in the interpretation or understanding of the Agreement involved, had not only the right but the obligation to attend and to express its views.

Mr. MACHADO (Brazil) agreed but felt that, in view of the weight of any report agreed upon by a group, the composition of a working party was relevant to the responsibilities and rights of delegations.

The CONTRACTING PARTIES approved the establishment of a Working Party on Schedules with the following membership and terms of reference:

Chairman: Mr. A. Dubois (Belgium)

<u>Membership:</u>	Burma	Germany
	Canada	Italy
	Ceylon	Japan
	Cuba	Sweden
	Czechoslovakia	United Kingdom
	France	United States

Terms of reference:

1. To examine requests by contracting parties for rectifications and modifications of their schedules and to prepare a Protocol for signature before the close of the Session.
2. To consider any other matters affecting the schedules to the Agreement which may be referred to it by the CONTRACTING PARTIES.
3. Australian request for renegotiation (SECRET/53)

The CHAIRMAN said that the Australian request for authority under Article XXVIII:4 to renegotiate an item in Schedule I was submitted on 7 October. Australia proposed to renegotiate the item with France as the contracting party with which the concession was initially negotiated and with Germany as a contracting party having a principal supplying interest.

Under the Interpretative Note to paragraph 4, a request for authorization had to be met within thirty days and the CONTRACTING PARTIES should therefore reach their decision not later than 6 November.

Mr. WARWICK SMITH (Australia) stated that this request had been made as a result of an enquiry by the Australian Tariff Board into the production of magnesium sulphate. The reason for the request and the procedures to be followed were set out in SECRET/53. His Government was proposing to renegotiate the item with France as the contracting party with which the concession was initially negotiated and with Germany as a contracting party having "a principal supplying interest". He hoped that it would be possible to complete the renegotiations during this Session. The application was submitted under paragraph 4 of Article XXVIII (revised) and the special circumstances at the basis of the request were briefly outlined in paragraph 4 of SECRET/53. There had been developments not foreseeable at the time when the commitment was entered into; in 1947, which had given rise to the request. His delegation would be prepared to submit further information to countries particularly concerned in support of the application. He hoped that the CONTRACTING PARTIES would have no difficulty in complying with the request as this renegotiation was not likely to endanger "the stability of the tariff schedules". In reply to a request for amplification by the Chairman, Mr. Warwick Smith considered that the report of the Australian Tariff Board and its recommendations, considered in the light of its own procedural requirements, constituted a set of facts which in combination with the provisions of Article XXVIII (revised) justified the application. He emphasized that the application was for authority to renegotiate and had no bearing on the question of compensation, a matter to be worked out later.

Mr. KLEIN (F.R. Germany) said that as shown by the import figures attached to the Australian request, Germany was the main supplier of magnesium sulphate and if the CONTRACTING PARTIES accorded the request, negotiations should take place both with France and Germany. The approval of the CONTRACTING PARTIES was dependent upon the existence of special circumstances under the provisions of paragraph 4 of the revised Article XXVIII, or alternatively authority could be granted in the terms of note 2 to that paragraph. In their statement the Australian Government had not, in his Government's view, established any special circumstances. They had only referred to the Tariff Board finding. He assumed that in the working party to be set up, additional information on the level of the new rate and on the compensation to be granted would be given. His Government was prepared to enter into renegotiation of the item in question.

Mr. PHILIP (France) stated that his Government was also prepared to renegotiate this item. He pointed out that some of the reasons brought forward in the Australia Note were vague and hoped to obtain more precise information, and other arguments than those advanced, in the discussion in the working party. As he understood the reasons, they seemed to be based on the protection of less efficient techniques which did not seem to accord with the principles of the Agreement. Under the reserve that more details on the basis of the application, on the new rate and on the compensation to be offered would be supplied, his Government was prepared to grant the request.

Shri L.K. JHA (India) said that this should be regarded from the general point of view and with particular reference to the precedents which might be created. The text of the article required the existence of special circumstances. The German and French delegates had expressed doubt as to whether adequate reasons had been given to sustain the allegation of special circumstances. It should be noted, however, that the word was "special" and not "exceptional". The application resulted not from pressure of a local industry, but after thorough inquiry by the Australian Tariff Board, an impartial body. He would hesitate at the thought of the CONTRACTING PARTIES reassessing the importance of the industry to the Australian economy after inquiry by the competent body in the country. The Australian Government had had the opportunity to withdraw the item before 30 June with no difficulty. It was encouraging that they had waited until a case had been made out for the withdrawal before doing so. In the view of his delegation the circumstances were special.

Mr. SANDERS (United Kingdom) wondered whether this was not a case that required consideration in relation to Note 2 to paragraph 4 of Article XXVIII.

Mr. WARWICK SMITH (Australia) recognized the wish of contracting parties to proceed with care. His delegation did not wish to enter at this stage into a discussion on the technical aspects. They did intend that the application should be considered under Note 2 to paragraph 4 of the revised Article XXVIII and emphasized particularly the sentence of that Note to the effect that authorization should be granted unless it was considered that the negotiations would result in or contribute to such an increase in tariff levels as to threaten the stability of the schedules. It was with this point in mind that he had made his earlier reference to "the stability of the tariff schedules". As the Indian representative had said, his Government had been anxious to ensure that the tariff adjustment was necessary before proceeding to it and hence had not taken action before 30 June. The revision of Article XXVIII, permitting such action as was now contemplated, had been of particular concern to Australia during the Review.

Mr. MACHADO (Brazil) was gratified to note that measures designed to promote economic development were considered to be special circumstances. His Government would have thought Article XVIII applicable, but supported the Australian request.

Mr. ISBISTER (Canada) suggested, and was supported by the Belgian representative, that if the CONTRACTING PARTIES did agree that special circumstances existed, the declaration should be framed in such a way as to prevent

any precedent being established that might prevent the CONTRACTING PARTIES from entering into the substance of the findings of a Tariff Board. The CONTRACTING PARTIES should have the right to go beyond the mere existence of such a report.

Pursuant to paragraph 2(a) of the Declaration on the Continued Application of Schedules and in the light of the provisions of Note 2 to paragraph 4 of Article XXVIII (revised) the CONTRACTING PARTIES authorized Australia to renegotiate Item 281 (B)(1)(a) and (b) - Magnesium sulphate in Part I of Schedule I under the conditions and procedures of Article XXVIII (revised).

#### 4. Australian waiver - Papua-New Guinea (L/396)

Mr. WARWICK SMITH (Australia) introduced the Second Annual Report (L/396) on action under the waiver granted by the CONTRACTING PARTIES in October 1953. The waiver had been invoked with respect to one product only, namely plywood. The waiver related only to items not bound and to primary commodities. As a result of the public enquiry held by the Tariff Board it was decided that plywood from Papua-New Guinea should be imported free of duty. Papua-New Guinea was a very primitive country and unless this action had been taken it was doubtful whether another market could have been found. He would not wish to enter now into a discussion of principle on whether plywood might be considered a primary product and suggested that this point might be taken up in the discussion of the Australian request for a waiver with respect to certain timber imports from Papua-New Guinea.

Mr. MACHADO (Brazil) pointed out that the number of waiver requests was growing substantially and that it would be desirable if the secretariat could produce comments on all reports under waivers as had been done in the case of the report under the waiver granted to the European Coal and Steel Community. If the reason for the action taken in this case was economic development, his Government were prepared to accept the report.

Mr. ISBISTER (Canada) referred to the comment in the report on the insignificance of plywood imports into Australia (paragraph 11) and the statistical table covering the years 1952-53 and 1953-54 which was unfair to hard currency countries, since during those years Canada was not free to sell plywood to Australia and it was difficult to assess the effect the duty-free treatment accorded to imports from Papua-New Guinea might have had on potential imports from other countries.

The CONTRACTING PARTIES referred the report to the working party to be set up to consider Australia's new Papua-New-Guinea waiver request.



5. Papua-New Guinea waiver request (L/375 and Add.1 & 2)

The CHAIRMAN said that in its request (L/375) the Australian Government asked for a waiver under Article XXV:5(a) to grant duty-free treatment to seven classes of timber bound in the GATT schedules.

Mr. WARWICK SMITH (Australia) referred to the background information contained in the request and statistical data submitted (L/375 and Add.1 & 2). The Australian Government had a responsibility to promote to the utmost the economic development and well being of Papua-New Guinea. Conditions had to be made favourable to investment and Papua-New Guinea was at a signal disadvantage both geographically for finding markets for new products and for developing a sufficiently large production to permit the exports that were essential as there was virtually no internal market. It had been necessary to give special help to foster new and growing industries. This comprised not only tariff assistance but also direct grants and other assistance. The timber industry was an important one presenting considerable scope for internal development. The Australian delegation felt that the present proposal would result in any impact of the action contemplated being felt more by the Australian domestic industry than by exporting countries. No variation was envisaged in the duties on timber imported from any country except Papua-New Guinea. The waiver granted in 1953 was limited to unbound items, whereas this action referred to a list of specified items which were bound in the schedule. The need for the waiver was regretted but the Australian Government saw no alternative course.

Mr. ISBISTER (Canada) recognized the special interest of Australia in Papua-New Guinea. His Government had supported the 1953 waiver but pointed out that the present proposal went well beyond that one. Additional freedom was being sought for bound items and this involved difficult matters of general principle concerning the status of the schedules and preferential items. His delegation noted that the Australian Government expected no diversion of trade to result, but Canada had a substantial interest in one item (tariff item 291(H)) and their lumber exporters took a different view.

It was agreed to appoint a working with the following membership and terms of reference:

Chairman: Mr. Taha Carim (Turkey)

Membership:

Australia	Germany
Brazil	India
Canada	Indonesia
Ceylon	United Kingdom
Finland	United States
France	

Terms of reference:

1. To examine the Second Annual Report submitted by the Government of Australia under the Decision of 24 October 1953 and to report to the CONTRACTING PARTIES thereon.
2. To examine the request of Australia for a waiver of obligations under Article I of the Agreement and to submit recommendations to the CONTRACTING PARTIES.

6. Accession of Japan

Mr. TAKASAKI (Japan) said that his Government was very disappointed to see that a large number of contracting parties had invoked Article XXIV against Japan. The present situation was inconsistent with the spirit and objectives of the General Agreement and might create considerable difficulties in its administration. It was the wish of the Japanese Government that a solution to the problem be reached at this Session.

There were two problems. The first related to countries having a double-column tariff which did not accord most-favoured-nation treatment to Japan. The second concerned countries which did not apply discriminatory rates of duty to Japanese imports, but refused to accept the obligations of the General Agreement in relation to Japan, though many of them had accepted these obligations for some time during the period of Japan's provisional participation in the GATT. If certain contracting parties entertained apprehensions, they should frankly state the nature of their difficulties and the Japanese Government would be ready to participate in a constructive manner in the joint attempt to work out a satisfactory solution.

The full text of Mr. Takasaki's statement is reproduced in Press Release GATT/247.

The CHAIRMAN drew particular attention to the suggestion in the Japanese memorandum (L/420), that the problem should be examined with a view to working out appropriate safeguards within the framework of the Agreement, which contracting parties would no doubt wish to study in conjunction with the Japanese delegate's statement.

The meeting was adjourned at 12.20 p.m.

