

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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## REVIEW OF THE GENERAL AGREEMENT

### Proposals by the New Zealand Government

#### Article XXVIII: Status of Schedules

1. In the interests of tariff stability, there is a widespread desire among contracting parties for the extension of the life of the tariff schedules after their present validity expires on 1 July 1955. Some countries evidently prefer an outright extension, but others including New Zealand find this unacceptable and desire provision for the prior renegotiation (i.e. withdrawal or modification) of items in the existing Schedules.
2. Renegotiations of the kind in question took place at Torquay before the life of the Schedules was extended from 1 January 1951 to 1 January 1954. At the Eighth Session, New Zealand, along with certain other countries, sought a means of providing for the desire to renegotiate certain concessions before the life of the Schedules was extended until 1 July 1955. This proposal was not accepted and New Zealand eventually signed the declaration of continued application of the Schedules until mid-1955, on the understanding that sympathetic consideration would be given to requests for authority to renegotiate certain bound items in exceptional circumstances.
3. While New Zealand accepted this position as a temporary measure, it is not prepared to accept it as a permanent formula without provision for another opportunity to renegotiate before it goes into effect. New Zealand considers that such opportunity to renegotiate could appropriately be taken at Geneva at the same time as the proposed negotiations with Japan.
4. If this is agreed, New Zealand would be able to support a further validation of the Schedules beyond 1 July 1955. The date in the present text of Article XXVIII could be deleted and the procedures of Article XXVIII could be made available on a continuing basis subject in each case to the agreement of the CONTRACTING PARTIES that exceptional circumstances existed. The life of the Schedules could be either extended for a fixed period of say three to five years or extended indefinitely. In the latter case, provision should be made for a review of the operation of the Article from time to time, say every five years.

5. In summary New Zealand proposes:
- (a) opportunity to renegotiate certain existing concessions prior to July 1955;
  - (b) extension of the life of the revised Schedules beyond 1 July 1955, subject to the use of the present Article XXVIII procedures in cases where exceptional circumstances are found to exist;
  - (c) review of the operation of these arrangements at appropriate intervals.

#### Full Employment

1. Chapter II of the draft Havana Charter contained provisions which recognized that the achievement and maintenance of high and stable levels of employment by all countries was a prerequisite condition for securing an expansion of international trade.
2. This concept had been accepted when the United Nations Charter was drawn up at San Francisco in 1945. It is also referred to in the preamble of GATT as being one of the objectives to the achievement of which the contracting parties desired to contribute.
3. The New Zealand Government is of the opinion that the maintenance of high and stable levels of employment is a factor of such material importance in promoting an increased flow of world trade that specific reference to it should be included in the revised General Agreement if that agreement is to become the principal permanent instrument governing international action in the field of trade.
4. The Economic and Social Council of the United Nations has devoted some attention to the question of employment, and has also made certain arrangements for the collection and analysis of information from governments on employment trends in their respective territories. It is not the intention of the New Zealand Government to propose that the activities of ECOSOC in this field should be taken over by the CONTRACTING PARTIES to the General Agreement. It is, however, considered important that there should be recognition in the General Agreement of the fact that the achievement and maintenance of full and productive employment everywhere is necessary if the objectives of the Agreement are to be completely attained; and that in some circumstances a decline in employment levels in one country could materially affect the trade of other countries and their ability to apply fully certain of the trade rules laid down in the Agreement.
5. As a basis for consideration of the question by the CONTRACTING PARTIES, it is suggested that provisions along the lines of those in Articles 2 (paragraphs 1 and 2), 3, 4, 5 (paragraph 2) and 6 of Chapter II of the draft Havana Charter should be incorporated as a separate article in the Agreement.

Article XV - Exchange Arrangements

Article XV paragraph 6 provides that any contracting party which is not a member of the International Monetary Fund shall enter into special exchange agreement. When the Protocol of Provisional Application was signed on behalf of New Zealand, a text for a special exchange agreement had not been worked out. The text finally agreed by the CONTRACTING PARTIES was not acceptable to New Zealand on the grounds that it was so similar to the Fund text that signature would involve all the obligations of the IMF without any of its benefits. When New Zealand signed the Provisional Protocol it had not envisaged such a text. In the circumstances the New Zealand Government felt unable to sign a special exchange agreement. However, New Zealand has not taken exchange action which has frustrated the intent of GATT and will continue to act in exchange matters in a manner fully compatible with the Fund's principles.

When a new text of GATT emerges from the Review Session, New Zealand may not find it possible to subscribe to such a document if it involves a commitment to sign a special exchange agreement in a form which is not acceptable.

It is suggested that the problem might best be met by the deletion of paragraphs 6 and 7 of Article XV which are the paragraphs dealing with the special exchange agreement. (Consequential alterations would also be required inter alia to paragraphs 2, 8 and 9 of Article XV).

It is desired to stress that such alterations to Article XV would not weaken the Agreement for the following reasons:

1. Paragraph 4 of Article XV already provides that "Contracting parties shall not, by exchange action, frustrate the intent of the provisions of this Agreement ..."
2. Provisions for close cooperation between the CONTRACTING PARTIES and the International Monetary Fund are already contained in Article XV paragraph 2 of GATT and in the "Arrangements for Cooperation, Consultations, etc., with the International Monetary Fund" made by the CONTRACTING PARTIES. (See p.120 ff of Volume I of Basic Instruments and Selected Documents).
3. New Zealand is the only contracting party affected at the present time and, as indicated above, has not and will not do anything which would frustrate by exchange action the intent of GATT. In any event Article XXIII safeguards the interests of contracting parties.
4. The International Monetary Fund has at present fifty-seven members, while the GATT has only thirty-four members. It is, therefore, probable that other countries which might join GATT in future will already be in the IMF.

