

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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CONTRACTING PARTIES
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FREEDOM OF CONTRACT IN TRANSPORT INSURANCE

Memorandum by the United States Delegation

After three years of study, the CONTRACTING PARTIES should be prepared to give opinions with respect to the problems presented in the resolution submitted at the Tenth Session and in the light of the report of the working party which considered this matter (L/462). The Government of the United States has prepared this memorandum in the hope that it would draw to the attention of the CONTRACTING PARTIES the essential problem to which the CONTRACTING PARTIES are asked to give consideration at this Session.

The United States delegation very strongly supports the proposed resolution, in the conviction that adoption by countries of the recommendations contained in the resolution will definitely foster an expansion of world trade. It is the considered opinion of the United States Government that restrictions on the placing of marine transport insurance impede the development of merchandise trade. It is further our opinion that such a stifling of trade hurts both the importer and the exporter, the buyer and the seller, the consumer and the producer. We therefore consider that such restrictive measures are in direct opposition to the spirit of the GATT, which works for expansion of trade.

Since restrictive practices in the marine insurance field constitute, in the opinion of the United States Government, a serious barrier to trade, the United States considers that it is both useful and appropriate for GATT to take cognizance of the problem. In the absence of an expression on the part of the CONTRACTING PARTIES on this subject, the United States Government fears that the practice of establishing restrictions on the placing of transport insurance will grow, in part because affected countries will take retaliatory measures, to the detriment of merchandise trade.

Security of individual property rights is a fundamental principle of international trade conducted under democratic principles. Any goods on the high seas should be, under basic principles of equity, insured against loss to the owner in ways which protect the owner of the goods to his satisfaction, and at

the lowest cost consonant with the desired protection. Obviously, if the insured is not guaranteed prompt payment, in the event of loss, in an acceptable currency, the insured is not adequately protected.

Prompt payment in full of claims for losses, on terms and conditions acceptable to the insured, is basic to expansion of international trade. This principle would appear to be incompatible with laws designed to prevent free choice, on the part of the insured, of the type and terms of insurance which best satisfy his need for full protection and without which the financing of international merchandise shipments becomes increasingly difficult, if not impossible, through normal private banking channels.

Nor should it be over-looked that such restrictive conditions tend to discourage exporters from dealing with importers in areas where the restrictive conditions may prevail, and may increase the importers' costs.

There are other elements of this problem referred to in L/887, containing the resolution adopted by the International Chamber of Commerce, to which the attention of contracting parties is invited.