

RESTRICTED

GENERAL AGREEMENT ON TARIFFS AND TRADE

IC/SR.21

3 October 1955

Limited Distribution

 Intersessional Committee

SUMMARY RECORD

of the Meetings held at the Palais des Nations, Geneva,
on 22, 23 and 24 September 1955

Chairman: Mr. L. Dana WILGROSS (Canada)

Subjects discussed:

1. Arrangements for the Tenth Session
 - (a) Provisional Agenda
 - (b) Order of Business
 - (c) Use of Panels
 - (d) Hours of Meetings
2. French Special Temporary Compensation Tax on Imports
3. Finland's Request for Renegotiation
4. United States Duty on Bicycles
5. Uncompleted Negotiations under Article XXVIII
6. Next Meeting of the Committee

1. ARRANGEMENTS FOR THE TENTH SESSION

(a) Provisional Agenda (IC/W/43)

The Committee reviewed the agenda prepared by the secretariat for the Tenth Session and approved all items for inclusion in the Provisional Agenda taking into account all the explanatory notes set out by the Executive Secretary in document IC/W/43. On the following items there was special comment:

Restrictive Business Practices

Mr. KOHF (Norway) stated that his Government was particularly interested in this item and, despite the fact that there had not been sufficient time to study the consequences of the Resolution taken by the Economic and Social Council, will wish to have it retained on the agenda of the CONTRACTING PARTIES.

Mr. KLEIN (Germany) suggested that it would be premature to deal with this question at the Tenth Session and that it would be preferable to postpone it till the Eleventh Session in order to permit further study.

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Sixth Annual Report under Article XIV:1(g)

The governments which have not yet submitted answers to the balance-of-payment questionnaire were requested to send them in without delay so that the secretariat could proceed with the preparation of a draft of the annual report on the discriminatory application of restrictions.

Mr. SANDERS (United Kingdom) stressed the desirability of a draft being circulated before the opening of the Tenth Session, even though all the answers were not received.

European Coal and Steel Community Waiver

Representatives of the member States assured the Committee that their annual report would be sent to the Executive Secretary about 7 October. It was recalled that the CONTRACTING PARTIES had agreed at the Ninth Session that governments wishing to address requests for additional information to the member States or to the High Authority should send them in writing to the Executive Secretary at least one week before the opening of the Session.

New Zealand/Article XV:6 Waiver

The Committee was informed by the representative of New Zealand that his Government had not taken action in exchange matters which would have had to be reported to the CONTRACTING PARTIES had New Zealand signed a special exchange agreement, and that in its opinion there would therefore be no need at the Tenth Session for a consultation under the Decision of 20 January 1955; however, if the CONTRACTING PARTIES should decide that the terms of the waiver require an annual report and consultation, even in the absence of such action, and if his Government should agree to carry out a consultation, the information required would be available in the documentation provided by the IMF for New Zealand's consultation on import restrictions under Article XIV:1(g). On the other hand, if its interpretation of the waiver provisions were not accepted, his Government might find it necessary to seek an amendment of the waiver. He was not authorized to engage in a discussion of the interpretation of the provisions of the Decision and he hoped, therefore, that this question could be left for examination at the Tenth Session. In the light of information from the representative of the IMF to the effect that the Fund would be able at short notice to consult with the CONTRACTING PARTIES pursuant to Article XV:2 in this connexion, the Committee agreed that the question of interpretation could be referred to the CONTRACTING PARTIES.

Consular Formalities

The CHAIRMAN drew attention to the fact that reports for 1955 on steps taken toward the abolition of consular formalities had not yet been received from a certain number of contracting parties.

Nationality of Imported Goods

Mr. DONNE (France) expected that his Government would submit proposals for consideration at the Tenth Session, but if not, the matter could be deferred until the following year. The Austrian, German and Italian representatives stated that their Governments were already examining the question with a view to submitting proposals.

Swedish Anti-Dumping Duties

The Italian and Swedish representatives declared that this matter had now been settled satisfactorily to both parties.

Customs Tariff of the Federation of Rhodesia and Nyasaland and South Africa/Southern Rhodesia Customs Union

The Committee approved the proposal of the representative of Rhodesia and Nyasaland and the Executive Secretary that the item relating to the new tariff of the Federation should read as follows:

"Consideration of the new Federal tariff, as modified by trade agreements, in relation to the Report (L/293) adopted by the CONTRACTING PARTIES at the Ninth Session."

It was noted that the customs tariffs and trade agreements which were in force prior to the introduction of the new tariff, would be furnished by the Federation, and that the secretariat, after consultation with the representative of the Federation, would distribute a factual statement on the structure of the new tariff to assist the examination of this matter at the Tenth Session.

Mr. RUSHMERE (Rhodesia and Nyasaland) referred to document L/376 setting out the rate increases on five items in Schedule XVI of Southern Rhodesia and explained that his Government was in contact with the United States and Italy concerning some of these. He said that his Government regretted that it had not been possible to negotiate with interested contracting parties before increasing these rates, as it had been necessary for practical reasons to submit the new tariff to Parliament and to make it effective on 1 July.

Further, Mr. Rushmere stated that in the opinion of his Government the establishment of a customs tariff for the Federation was not precisely covered by the provisions of Article XXIV, but it had endeavoured to keep as closely as possible to its principles. Though there had been an inevitable adjustment of preference margins, the changes had been effected in the true spirit of the General Agreement, and it might well be found that it would not be necessary to appoint a working party to examine the details.

Accession of Japan

Mr. HAGUWARA (Japan) said that his Government found itself in a somewhat embarrassing position as it was conforming with all the provisions of the GATT whereas fourteen contracting parties had invoked Article XXIV as not to

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apply the Agreement to Japan. As far as he knew recourse to this Article on such a scale had never occurred before and he would like full consideration to be given to this problem without his Government having to invoke paragraph 2 of Article XXXV. He was aware that possibly the contracting parties which had invoked Article XXXV had no intention of discriminating against Japan or of refusing most-favoured-nation treatment, but had acted as they did merely in order to preserve their freedom of action should special circumstances arise. His Government would be submitting a memorandum before the opening of the Tenth Session.

The Committee agreed that this question could be discussed under this item and that a note of Japan's intention to raise the matter should be included in the Provisional Agenda.

Financial Statement and Budget (Spec/254/55/Rev.1)

The EXECUTIVE SECRETARY presented a statement giving some indication of the main features of the budget estimates for 1956 which will be submitted to the Tenth Session and summarized his main proposals. He had hoped that the 1956 budget would be the first of the Organization for Trade Cooperation, but it now seemed certain that the Agreement would not be ratified at an early date. Therefore, the proposals for 1956 had been prepared on the assumption that the CONTRACTING PARTIES would wish to continue the present hand-to-mouth basis for the secretariat. The increase in the work-load for 1955 had been met by recruiting temporary staff, by an abnormal burden for a number of officers and by extensive overtime in the general services; part of the additional cost had been met out of the capital reserve, but it was now so depleted that he was not prepared to take responsibility for further withdrawals.

Turning to the proposals considered indispensable to an effective administration of the Agreement on a permanent basis, the Executive Secretary said it was desirable that there should be expansion in the office of the Executive Secretary to take care of the increased legal, liaison and diplomatic work, and that regional liaison officers should be appointed. He referred also to the training scheme, which could be of special value to underdeveloped countries, and for which he was still hopeful that Technical Assistance funds might be obtained for some Fellowships.

Mr. CORKERY (Australia) said he assumed that the CONTRACTING PARTIES would have an opportunity to decide whether the type of training scheme proposed was necessary and desirable.

The CHAIRMAN stated that the Executive Secretary would be submitting further details which would also cover the training scheme and there would be opportunity for a full discussion.

The Committee was informed that the following items would be added to the Provisional Agenda:

Surplus Disposal - Experience under Resolution of 4 March 1955

Proposed by Australia

Hawaiian Regulations on Sale of Imported Eggs (L/411)

Proposed by Australia

Standardization of Rules for Anti-Dumping and Countervailing Duties (L/409)

Proposed by Norway

(b) Order of Business (L/399)

The Committee discussed the arrangement of meetings tentatively proposed by the Executive Secretary and agreed that a programme for the Tenth Session along these lines would be useful and could be examined in detail at the Committee's next meeting prior to the opening of the Session. For the guidance of the Executive Secretary in preparing a programme, the Committee decided to recommend that consideration of the following items should begin on the dates indicated:

The Belgian/Luxemburg Waiver request on 31 October

The new tariff of Rhodesia and Nyasaland on 1 November

The report by the member States of the European Coal and Steel Community on 3 November

Balance-of-payments consultations and other matters of particular interest to the representatives of the International Monetary Fund on 7 November

Questions of customs administration on 10 November

The report by the Governments of Italy and Libya on Italian special customs treatment of Libyan products on 10 November -- and that the Government of Libya be informed accordingly

The appointment of a new Chairman for ICCICA early in the Session

Mr. CORSE (United States) suggested working parties might be required to consider the reports on the Italy/Libya and the Australia/Papua-New Guinea waivers.

Mr. HEBBARD (IMF), referring to the consultations in which the Fund would be involved, stated that the date of 7 November would be convenient. The Fund was endeavouring to modify its normal procedure so as to be of assistance to the CONTRACTING PARTIES, even if it had not been possible to complete its own consultations with the same governments, as had been done in the recent Australian consultation. He assumed, however, that the timing of consultations with particular countries could be adjusted within the period of the dates mentioned. He stressed that in general the Fund was well prepared and would be ready to co-operate in these matters.

Referring to the consultation with the Government of Czechoslovakia under the waiver from Article XV:6, Mr. Hebbard said that no data had yet been received and that even if it were to come to hand now it would be difficult for the

Fund to be ready in time. Even if there were no special factors in this case, he would find it difficult to predict precisely what would be the nature of the Fund's consultation with the CONTRACTING PARTIES.

Mr. SRONEK (Czechoslovakia) stated that the documents should be available shortly.

Mr. VALLADAO (Brazil) suggested that the Plenary Session on Commodity Problems should be held early in November despite the slow progress being made by the Working Party, so that there would be no clash with the Commission on International Commodity Trade which, he understood, would be convened in Geneva later in the month.

Mr. JUDD (United Nations) stated that the Commission would meet in Geneva on 28 November. It would be useful if the findings of the Working Party could be brought to their notice and if the item could be placed on the Agenda of the Twenty-first Session of the Economic and Social Council in April 1956.

The CHAIRMAN said the Executive Secretary would bear this in mind in submitting his revised proposals for the order of business.

(c) Use of Panels (L/392)

The Committee discussed the proposals of the Executive Secretary and the following main points were raised:

Mr. KLEIN (Germany) stated that his Government agreed to the suggestion that the panel system should be continued for the hearing of complaints, but should be extended to other questions only where it was clear that it was likely to give better results than the working party system had done.

Mr. SWAMINATHAN (India) stressed the fact that the working parties were of great value in giving experience to delegates unfamiliar with GATT ways, and he would, therefore, be disinclined to replace them by panel arrangements.

Mr. CORSE (United States) thought this was not the most suitable time to consider an extension of the panel system. The general public who were not conversant with GATT procedure might be critical of this method.

Mr. de ST. LEGIER (France) emphasized that although the panel procedure was useful for considering technical problems, it would not be suitable for questions mainly, or partly, political in nature such as the waiver granted to the European Coal and Steel Community. There was a real danger that doubt might be thrown on the independence of the experts appointed to panels.

Mr. SANDERS (United Kingdom) was also cautious in his attitude to the panel system as there were many instances where the CONTRACTING PARTIES ought to act jointly. Consultations under waivers ought, in his view, to be held in working parties, though panels might well be useful for matters of lesser

importance. He recognized, in particular, the force of the Indian representative's argument with regard to gaining experience through working party membership.

Mr. GREY (Canada) was in substantial agreement with the views expressed in the discussion and agreed with Mr. Corse that the adoption of the panel system on a larger scale might have a bad effect on public opinion.

Mr. KASTOFT (Denmark) stated that his Government was in favour of the panel on complaints being continued and also of the use of panels on an experimental basis in other fields. He referred to the experience in the OEEC, where examinations had been carried out in panels. It had been found that the three possibilities: working parties, panel of complaints and examinations in a panel were not necessarily alternatives, but that the fact-finding could take place in a working party and complaints arising out of the fact-finding be referred to a panel. His Government was, however, cautious in its approach to the problem and he agreed with the French delegate that questions arising out of the European Coal and Steel Community should be considered by a working party so that the benefits of a larger representation would be assured. In conclusion, he suggested that until the entry into force of the revised Agreement consultations under Article XIV were perhaps better suited to consideration in a working party and those under Article XII as well as the examination of the reports on the less important waivers to the panel procedure.

The EXECUTIVE SECRETARY said he would modify his Note to take account of the foregoing comments.

(d) Hours of Meetings (IC/W/44)

The Committee considered the proposal put forward by the Executive Secretary that the hours of plenary and working party meetings should be 10-12.30 and 2.30-5 in order to allow time for the preparation, translation and reproduction of documents. The Committee agreed to recommend to the CONTRACTING PARTIES that the meetings during the Tenth Session should be arranged accordingly.

2. FRENCH SPECIAL TEMPORARY COMPENSATION TAX ON IMPORTS (L/406 and Add.)

Mr. SANDERS (United Kingdom) stated that the French Government's report had only been received shortly before the United Kingdom delegation left London and consequently he would not be in a position to discuss the question substantively at this meeting.

The United States and Italian representatives supported the view expressed by the United Kingdom representative.

The CHAIRMAN agreed that there had not been sufficient time to study the documents and mentioned also that some of the annexes had been received by the secretariat only since the opening of the meeting.

Mr. DONNE (France) regretted that owing to the necessity for extensive research it had not been possible to send in the report earlier than 10 September.

He summarized the main points explaining that his Government had endeavoured to make the report comprehensive and that it contained the detailed statistical information the Committee had asked for. He assured the Committee that his Government intended to achieve the complete removal of the tax. This elimination would be gradually effected but it was not possible to establish a precise time-table in advance. The policy to be followed would consist in submitting newly-liberalized products to a 15 or 10 per cent tax and then the reducing the rates to 11 and 7 per cent; this reduction would be introduced in the near future for nearly all the products which were liberalized in January 1955.

Mr. GREY (Canada), whilst appreciating the reasons for the delay, stressed that the effect was to throw an even greater burden on the Tenth Session. Canada was affected in respect of a number of exports to France such as lead ore, lead oxide, zinc, copper, etc. to the value of 2½ million dollars per annum. There was now a triple obstacle to these exports: the normal tariff, quantitative restrictions and the tax. He hoped that the French Government would give serious consideration to the problem.

Mr. CORSE (United States) pointed out that his Government was very anxious that the tax should be eliminated as soon as possible. Various questions had been raised by the business community in the United States. He had found difficulty in comparing the figures in Annexes III and IV and would be grateful if the French delegate could explain the basis of comparison to him.

In reply, Mr. DANNE (France) pointed out that in 1954 and in the first six months of 1955 France's imports from Canada had substantially increased, exports to Canada and imports from Canada now being in the order of 2 to 3. With regard to the question of the United States delegate on Annexes III and IV, he would refer the question to Paris.

The Committee then agreed the text of a report to the CONTRACTING PARTIES¹ referring the matter to them for further consideration at the Tenth Session.

3. FINLAND'S REQUEST FOR RENEGOTIATION (SECRET/52 & Add.1)

The Committee examined the request of Finland for authority to renegotiate the concessions on certain textile items which had been initially negotiated with the United Kingdom and France. The Finnish representative explained that it had appeared to his Government, in the course of renegotiations under Article XXVIII and in the course of consultations under the Decision of 3 March 1955, that it would be desirable to make changes in the concessions affecting a certain number of other bound textile items in order to provide certain minimum specific rates in addition to the bound ad valorem rates and to convert certain specific duties into ad valorem duties while maintaining specific minima.

Mr. DONNE (France) stated that some of the items had been negotiated direct with France and if there were other items in which France was interested his Government would claim a substantial interest.

Mr. KLEIN (Germany) mentioned that his Government was still examining the problem, as some German exports were affected. It was a question of principle,

¹ See I/412

and he considered it dangerous to regard a disproportion between duties for cotton yarn and piece-goods as constituting "special circumstances" under paragraph 4 of Article XXVIII.

The Committee agreed that by thus enlarging the negotiations to cover a group of related items the negotiating countries could reach a higher level of mutually advantageous concessions than would otherwise be the case. The Committee considered that these circumstances constituted "special circumstances" in the sense of paragraph 4 of Article XXVIII, and therefore decided to grant the request for authority to renegotiate these items in accordance with the procedures and conditions laid down in that paragraph.

In view of the desire of the Finnish Government to complete the negotiations promptly and to give effect to the modifications agreed upon in the course of other negotiations and consultations, the Committee invited any contracting party which considered that it had a substantial interest in the items concerned to present its claim to the Finnish Government without delay and to notify the Executive Secretary.

4. UNITED STATES DUTY ON BICYCLES

Mr. SANDERS (United Kingdom) made a statement on the action by the Government of the United States under Article XIX whereby the rates of duty on bicycles (Item No. 371 in Schedule XX) were increased on 19 August 1955. The full text of his statement is annexed to this summary record.

The Benelux, French and German representatives supported the views of the United Kingdom representative as their countries were also seriously affected by this duty increase. All four representatives informed the Committee that their Governments intended to consult with the Government of the United States with a view to seeking compensation; it seemed unlikely, however, that the consultations could be concluded in sufficient time for them to avail themselves in the event of failure of their right to suspend equivalent obligations or concessions within the time-limit prescribed by paragraph 3(a) of Article XIX. Therefore they enquired whether an extension of the time-limit could be granted.

Mr. CORSE (United States) said that he was in agreement with an extension of the time-limit as proposed and assured the delegates who had spoken in the debate that he would bring their views to the particular attention of his Government. He stressed, however, that as the United States had not been alone in raising duties, and as various countries still maintained quotas and prohibitions against United States imports despite the improvement in the position of their reserves, the general problem was a mutual one. He pointed out that the bicycles decision had been taken by the President only after very careful consideration. Stability of concessions was important but in a highly complicated economic system it was difficult always to operate in a straight line. regard should

be had to the general trend of United States policy which could face comparison with that of any other contracting party. It remained the declared policy of the United States Administration to press for greater freedom in world trade. His Government was prepared to grant compensation for the increase in the duty on bicycles and it had in mind to grant compensatory concessions on items which appeared in the Public List prepared for the 1956 Tariff Negotiations.

Accordingly the following draft decision was prepared. All members and observers, with the exception of the representative of Czechoslovakia who abstained signified favourable votes on this decision and the Executive Secretary was instructed to submit it to the contracting parties not represented by postal ballot.

DRAFT DECISION OF ... 1955 EXTENDING THE TIME LIMIT
IN ARTICLE XIX:3(a) FOR NOTIFICATION BY CONTRACTING PARTIES
OF ANY SUSPENSION OF OBLIGATIONS OR CONCESSIONS IN CONNEXION
WITH THE INCREASE IN THE UNITED STATES DUTIES ON BICYCLES
UNDER ARTICLE XIX

CONSIDERING that on 19 August 1955 the Government of the United States took action under Article XIX to raise the rates of duty on bicycles bound under item No. 371 in Schedule XX,

CONSIDERING that several contracting parties have informed the United States Government that they wish to enter into consultations under Article XIX:2 in respect to this action with a view to reaching agreement on compensation, and

CONSIDERING that the said consultations may not have been completed in time for the said governments to avail themselves, in the event of the failure of the consultations, of their right to suspend equivalent obligations or concessions pursuant to paragraph 3(a) of Article XIX,

The CONTRACTING PARTIES

DECIDE that the ninety-day period prescribed in Article XIX:3(a) shall begin to run as from the date of the completion of the aforesaid consultations.

5. UNCOMPLETED NEGOTIATIONS UNDER ARTICLE XXVIII

Mr. CORSE (United States) said it appeared that certain negotiations which were being conducted in accordance with the provisions of the Declaration on the Continued Application of Schedules might not be completed within the time-limit specified in the Declaration, i.e. by 30 September, and enquired if some arrangement should be made for their continuance.

The EXECUTIVE SECRETARY reported that on the basis of the information available to the secretariat fourteen countries had not completed their negotiations. As things stood, these contracting parties would either have to renounce their intention to renegotiate the items in question or report that agreement had not been reached and take unilateral action. The time-limit

of 30 September could only be extended by agreement of all the contracting parties which had signed the Declaration, and thus one signatory could frustrate the desire of all others to negotiate. The Committee, however, had the right to authorize, in special circumstances, negotiations under paragraph 4 of Article XXVIII (revised). The Committee could therefore authorize contracting parties which had not completed their negotiations by 30 September to continue under the provisions of that paragraph, and this course might be preferable.

Mr. STANDENAT (Austria) stated that the suggestion of the Executive Secretary provided a way out of the difficulties but might cause embarrassment to some contracting parties. Negotiations which had a reasonable chance of being completed by 30 September might then be dragged on for months. He was, however, prepared to support the suggestion without prejudice to any decision his Government might take with respect to its own negotiations, provided a new time-limit were fixed.

In reply, the EXECUTIVE SECRETARY pointed out that no country would be bound to apply for authorization and that Article XXVIII:4 required the completion of negotiations within sixty days. If at the end of that period any further question should arise no delay would be involved because the CONTRACTING PARTIES would be in session.

Mr. SANDERS (United Kingdom) said this involved the continuation of the negotiations under rules more stringent than those under which they had been initiated. He also had reservations on the interpretation of paragraph 4(c) of Article XXVIII; as he saw it, the period of sixty days was a safeguard to the applicant country. One negotiation in which the United Kingdom was concerned had been held up because of technical difficulties and it might take longer than sixty days to resolve the problem. He would not wish to oppose the general view, but feared that, if any difference should later arise the negotiating parties might find themselves confronted with a series of procedural hurdles.

Mr. CORSE (United States) was prepared to support the proposal, but pointed out that the prolongation of these negotiations would cause some uncertainty in connexion with the 1956 tariff conference. His Government would not be in a position to enter into negotiations with a contracting party with which it was still negotiating under Article XXVIII.

Mr. STANDENAT (Austria) stated that in the light of the discussions and the explanation of the Executive Secretary he was prepared to accept the draft decision on the understanding that applicant contracting parties should not be bound for longer than sixty days, and that any procedures of conciliation required under paragraph 4(c) of Article XXVIII should terminate during the Tenth Session.

Mr. SANDERS (United Kingdom) stated that he was unable to accept the Austrian interpretation of paragraph 4(c) of Article XXVIII without qualification. He would have great difficulty in accepting the suggestion that the time-limit could not be extended.

The CHAIRMAN indicated that the CONTRACTING PARTIES would be the final judge in each case.

Mr. SANDERS (United Kingdom) stated that he would agree to the decision on the condition that the Committee did not prejudge what the CONTRACTING PARTIES might determine with regard to paragraph 4(c) and on the assumption that if the parties did not reach agreement they could take their case to the CONTRACTING PARTIES and be offered a practical solution.

The Committee adopted the following decision:

WHEREAS certain contracting parties which have signed the Declaration of 10 March 1955 are having recourse to paragraph 1(b) of the Declaration which allows them to continue until 30 September 1955 negotiations which they entered into under the procedures of Article XXVIII prior to 1 July 1955,

WHEREAS some of these contracting parties have not been able to complete all of their negotiations within the specified time-limit of 30 September 1955, having been prevented from doing so inter alia by the enforced suspension of negotiations through the month of August owing to lack of office and hotel accommodation in Geneva,

WHEREAS these circumstances are deemed by the Intersessional Committee to constitute "special circumstances" in the sense of paragraph 4 of Article XXVIII (revised),

The Intersessional Committee

DECIDES that the governments of -, -, -, and - and any other contracting party which so requests by 30 September 1955, are hereby authorized, with effect from 1 October 1955, to continue their negotiations, subject to the procedures and conditions laid down in paragraph 4 of Article XXVIII (revised), on any items included in their notifications submitted prior to 1 July 1955 and on which no agreement is reached by 30 September 1955.

The representatives of Benelux, Cuba, Finland, Germany, Italy, Sweden and the United Kingdom indicated that their Governments wished to avail themselves of the authority granted by this decision.¹

6. NEXT MEETING OF THE COMMITTEE

The Committee agreed that the next meeting of the Intersessional Committee should be held at 10 a.m. on Wednesday, 26 October.

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The text of this document with the full list of contracting parties who have availed themselves of this authority will be found in I/415.

ANNEXINCREASE IN UNITED STATES DUTY ON BICYCLESStatement by the Representative of the United Kingdom

1. On 9 August the United States Administration announced its decision to raise as from that date the duty on bicycles. The possibility of such action had been foreshadowed in the consultations the United States initiated bilaterally with us and other interested countries in accordance with the consultation provisions of Article XIX - although they seem to have overlooked the need at the same time to notify the CONTRACTING PARTIES collectively - but it was till the last moment the hope of Her Majesty's Government that their representations, together with the arguments deployed by our exporters during the Tariff Commission hearings, would result in a rejection of the application for increased duties.
2. Since the end of the war it has been the strongly declared policy of the Government of the United States in concert with the Government of the United Kingdom and the other major trading countries of the world to work towards a freer system of multilateral trade and payments by removing tariff and other barriers to trade. This policy was again confirmed by President Eisenhower in his message to the CONTRACTING PARTIES at the commencement of the Ninth Session.
3. It has, of course, been noted that the Administration, weighing all the considerations involved, decided on action less far-reaching than the Tariff Commission recommended. Nevertheless, their decision to raise the tariff at all came as a most unwelcome surprise to my Government and can only be regarded as a retrograde step inconsistent with the liberal trade policy advocated by the United States Administration. It is the more disturbing when it is seen in relation to other actions recently taken by the United States Administration. The serious implications of this decision were reflected in the immediate and spontaneous reactions of responsible commentators on both sides of the Atlantic.
4. The dominant influence on trade between the rest of the world and the United States is the persistent surplus of United States exports. It is the aim of Her Majesty's Government and of other governments to bring about a better balance of trade by expanding exports to the United States. To this end British manufacturers have been repeatedly exhorted to enter and cultivate the United States market by all methods consistent with legitimate commercial competition. As a result of the energy and initiative of British exporting firms, bicycles have become one of the most important single items in the United Kingdom's trade with the United States. Achievements such as this have played a great part in enabling Her Majesty's Government to continue the process of lifting restrictions on imports into the United Kingdom from the dollar area.
5. Apart from the effects the new tariff may have on imports of bicycles into the United States and thus on the dollar income of the exporting countries, it must be seen by British industry and by industry in other countries as a clear indication that imports of those manufactured products which, on the basis of price and quality, become seriously competitive with any products of United States industry will be threatened with restrictions. Yet it is to those products that the rest of the world must look for a substantial increase in dollar earnings.

6. Considerable effort and expense are necessary for a manufacturer to secure a footing in the American market. His venture can only succeed if it results in substantial sales over a number of years. There must therefore be a measure of confidence in the stability of governmental policy. Such stability of governmental policy is all-important. The growth of confidence is, however, a slow process. The very existence of a legislative "escape clause" is an obstacle, and confidence has already been weakened by an amendment earlier this year, in the Reciprocal Trade Agreements Act to the escape clause procedure which has been widened in a way which allows the Tariff Commission to recommend increases on less stringent conditions than hitherto. In the present instance a tariff increase only two years after an earlier application had been unanimously rejected affecting an industry employing less than 4,000 production workers must profoundly discourage many exporters - not only of bicycles.

7. The United States Government is invoking Article XIX to raise the tariff on bicycles on the ground that imports are causing serious injury to certain United States manufacturers. Her Majesty's Government have serious doubts whether on the known facts it can be held for the purposes of Article XIX that the United States bicycle industry has suffered serious injury owing to increased imports; and they wish to go on record as reserving fully their position as to whether the United States Government is justified in invoking Article XIX in this case.

8. In the first place it is open to question whether the United States industry has suffered injury on a scale sufficient to justify the very serious step, for other contracting parties, of invoking Article XIX. Secondly, it is very doubtful whether such injury as the United States industry has suffered has been caused to any appreciable extent by imports of light-weight bicycles: it appears rather to have been caused by the failure of United States manufacturers to adapt themselves to meet a new consumer demand for such bicycles. As a result United States manufacturers have not shared on the scale on which they might have done in the new market for light-weight bicycles, created and developed by British and other foreign manufacturers and now to be discouraged and restricted by the United States Government.

9. While therefore we reserve our position as to the propriety of invoking Article XIX, since the action has been taken, the question of remedy under the provisions of the Article now arises. Her Majesty's Government is prepared on this occasion to seek to settle the matter on the basis offered by the United States Government - namely by obtaining appropriate compensation in the United States tariff. While the payment of compensation, if acceptable terms can be agreed, may secure a settlement of this case, I would impress on the United States the need for them to do everything they can to restore the confidence of governments and of their industries which has been shaken by this action in respect of an important bound duty. The blow to confidence and so to our common objective of expanding world trade has been more serious than the United States Administration may perhaps fully appreciate.

10. My delegation will be taking the opportunity of this meeting to initiate discussions with the United States with a view to a settlement through compensation, which we would wish to be reached separately from and in advance of the tariff negotiations next year. But, since it may not be possible to complete these negotiations within the time-limits laid down by Article XIX for the exercise by affected parties of their rights of redress, and the possibility cannot be excluded that agreement on the basis of compensation might not prove possible, I wish to give notice that at the appropriate time I shall need to ask, on behalf of the United Kingdom and the other interested contracting parties, for an appropriate extension of the time-limit for the exercise of our rights under the Article.