

204
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GENERAL AGREEMENT ON TARIFFS AND TRADE

Intersessional Committee

SUMMARY RECORD OF THE MEETINGS

Held at the Palais des Nations, Geneva
on 6 and 12 October 1959

Chairman: Mr. G.H. WARWICK-SMITH (Australia) 6 October

Mr. F. GARCIA OLDINI (Chile) 12 October

Subject discussed: Article XXVIII:4 - Request by the United States (GATT/AIR/170)

The representative of the United States, referring to the request by the United States Government (GATT/AIR/170) for authority under paragraph 4 of Article XXVIII to enter into renegotiations for the modification or withdrawal of certain concessions in Schedule XX, explained that the tariff quota on wool fabrics had not worked to the satisfaction of either United States importers and clothing manufacturers or of foreign producers. In the present year it had had particularly disruptive effects, especially on United Kingdom-United States trade. At the same time, domestic producers of wool fabrics in the United States had been experiencing a difficult period. It was basically the disruptive effects of the tariff quota on trade which might be considered as constituting "special circumstances". Because the quota was filled quickly there was inevitably great uncertainty as to the rate of duty which would be applied to any given shipment, and it was difficult for importers to enter into contracts in such circumstances. The situation was aggravated by the fact that, when the quota was filled, the ad valorem rate of duty on most fabrics increased by 80 per cent or more, from 20 or 25 per cent to 45 per cent. Frequently it was found that fabrics which were ordered in the expectation that they would enter the United States before the tariff quota was filled, in fact entered afterwards and were assessed at the higher rate of duty. For example, in 1959 the United States announced the size of the tariff quota for the year on 21 April 1959. By 18 May this basic quota had been filled. According to exporters in the United Kingdom, on 19 May approximately 443,000 pounds of wool fabrics had already left the United Kingdom for the United States or were en route to British ports for shipment to the United States. The situation was apparently similar in the case of a number of countries, as a total of 16.2 million pounds of wool fabrics were imported into the United States by the end of June. Probably a large proportion of imports between 19 May

and the end of June were contracted for in the expectation that they would benefit from the within-quota rate of duty. In view of United States domestic procedures, it was impossible to say at the moment what the outcome of the negotiations would be or what the United States proposal would be. It was hoped that any compensation that might be necessary would be built into the package proposals. Whatever the outcome, it was the firm intention of the United States to follow scrupulously the provisions of Article XXVIII in considering representations from any contracting party regarding trade interest.

In reply to enquiries as to the need for this request to be dealt with so urgently, in view of the fact that the fifteenth session of the CONTRACTING PARTIES would take place in the very near future, the United States representative explained that the request was urgent because of the nature of United States internal procedures, which could not be started until authority to renegotiate had been granted by the CONTRACTING PARTIES, and because of the desire to change the present unsatisfactory arrangements in time to avoid having to fix a quota for 1960.

Certain representatives mentioned the preoccupations which their governments had regarding the request. These arose from the extent of their countries' interest in trade with the United States in the items concerned and, should the Committee grant the authority asked for, their governments would wish to claim an interest in the renegotiations. Further, they were concerned lest a result of the renegotiations should be increased protection for United States domestic producers. They hoped that solutions would be found which took full account of the interests of supplying countries.

The Committee agreed that the United States should be granted the authority to enter into renegotiations under the provisions of Article XXVIII:4.

The CHAIRMAN said that any contracting party which considered that it had a "principal supplying interest" or a "substantial interest", as provided for in paragraph 1 of Article XXVIII, should communicate such claim in writing and without delay to the United States Government and at the same time inform the Executive Secretary. Any such claim recognized by the United States Government would be deemed to be a determination by the CONTRACTING PARTIES within the terms of paragraph 1 of Article XXVIII. If agreement could not be reached between the United States Government and a contracting party, the matter could be referred to the CONTRACTING PARTIES.