

GENERAL AGREEMENT ON TARIFFS AND TRADE

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CONTRACTING PARTIES
Sixth Session

SUMMARY RECORD OF THE SIXTH MEETING

Held at the Palais des Nations, Geneva
on Thursday September 20 1951 at 10.30 a.m.

Chairman: Mr. Johan MELANDER (Norway)

Subject Discussed: General Reduction of Customs Tariffs

General Reduction of Customs Tariffs - Adoption of new Agenda Item Proposed by France. (GATT/CP.6/23)

M. PFLIMLIN (France), presenting the proposal for inclusion on the Agenda, explained that this proposal was designed to promote the objectives of the General Agreement, that is, the expansion of international trade, and was based on certain fundamental considerations. The complete elimination of all restrictions on international trade, though desirable from the long-term point of view of productivity and costs, might in fact not achieve the desired purposes in the face of important structural differences between the economies of the world; if unbridled competition were allowed in the actual world the ensuing dislocation was likely to impair seriously the economic equilibrium. Customs tariffs and quotas were not only the prerequisite for progress in underdeveloped countries but also essential for European nations urgently in need of post-war reconstruction. In the prevailing circumstances in Europe, too abrupt a change in the economic structure might well have consequences unfavourably affecting the morale and cohesion of countries. On the other hand the tasks of reconsideration and progress were more likely to be achieved through the expansion of productive forces and the unification and liberalisation of the world economy than if protective measures were maintained indefinitely. This view was perhaps the motive behind the initiative which had been taken by the Benelux Delegations in Torquay in attempting to secure some lowering of European tariffs.

The present proposal, which aimed at a general lowering of tariffs, was based on three essential criteria. First, any measure, to be of value, must be sure to lead to some relatively substantial and prompt results; secondly it must be flexible enough to allow for necessary adaptations in order to avoid any danger of serious disturbances; and thirdly it must be co-ordinated with other measures for the economic integration of regional and world markets. Good results might be achieved by an automatic reduction of tariffs by 30%; a

The method adopted by the Office for European Economic Cooperation for the elimination of quotas between European countries had yielded substantial results. In order to preserve flexibility the countries were not to be expected to make a /^{the product of} on each tariff item, and the number and the composition of branches of economic activity for the purpose of tariff reduction would be a matter for common consideration and agreement. For example these might relate to the five main categories of products, viz: raw materials, semi-finished products, foodstuffs, capital goods and durable consumer goods. Taking account of the structural differences between the various national economies and the principal function of customs duties it was clear that a flat reduction of all items would not be equitable, but special treatment could be provided where a country had not reached a suitable stage of economic development or where duty rates of a country were already exceptionally low in comparison with those of other countries. It would be highly desirable if the Contracting Parties would endeavour to concentrate their efforts on the branches of economic activity or products which were the object of their integration measures with a view that the tariff reduction and such supplementary measures would lead to prompt and decisive progress towards economic unification.

Whilst aware of the difficulties and the imperfections of the proposal as it stood, the French delegation nevertheless put it forward in the hope that the Contracting Parties would study it closely and improve upon it so as, perhaps, to evolve better methods for the implementation of the idea, which would demonstrate their determination in achieving the objective of promoting international economic co-operation.

The CHAIRMAN reminded the meeting that the question under discussion was merely whether the proposal should be included as an item in the agenda.

Dr. van BLANKENSTEIN (Netherlands) said that he was surprised to see this proposal being made at the present time. During the Special Session at Torquay the Contracting Parties had resolved to invite ten governments to submit proposals on the European tariff problem. That step was taken because it was considered premature and unrealistic to propose any general reduction of tariffs on a world-wide basis, in view of the wide differences between the economic conditions and stages of development of the countries of the world. Only in Europe, where the economic conditions were somewhat homogeneous, was there a general will and a common desire for economic integration and where the differences in their economic environment and background were not such as to make the achievement of a straightforward reduction in their tariffs totally impossible. It was to be regretted that the ten governments invited to present proposals had so far been unable to do so, but the reasons behind this were well-known to the French Government. It was therefore surprising that the French Government should present a proposal without prior consultation with that group, nor even with the Benelux countries with which it had been in contact.

The present proposal was different from that submitted to the intersessional working party, in that it related to tariff reductions of all countries in the world rather than in Europe only, and to proceed with it would inevitably prejudice the work which had been started at Torquay. In conclusion Dr. van BLANKENSTEIN proposed that the Contracting Parties should not take up the French proposal, but should invite the French delegation to enter into discussions in the first instance with the ten countries with a view to formulating agreed proposals for submission to the intersessional Working Party.

Mr. SVEINBJØRNSSON (Denmark) described the French proposal as of the utmost interest, and said that it must be gratifying to the low-tariff countries to see such an attempt being made by a major high-tariff country. Referring to the introductory paragraph of the document, he thought it was an exaggeration to say that "important" results had been achieved towards the lowering of customs tariffs since the inception of the General Agreement; what had been achieved had perhaps been important enough to affect seriously only a few industries, the effect on agriculture being entirely negligible. The French representative had said that the time had come for a renewed effort, and it was only to be hoped that where there was a will a way could always be found. The French proposal corresponded in principle to the objectives which had received attention at Torquay. The proposed 30% reduction should, however, be regarded only as a beginning of a process of further progressive reductions. A reduction of 30%, whilst it would not cause great difficulty to countries with high tariffs, might put a great strain on those countries whose tariffs were substantially lower. This point was only partly met by the special provisions in the French proposal. If, as had been declared by the French representative, the breaking down of protectionism was the chief objective, it would be logical that such an attack should be aimed at and concentrated on those points where protectionism was to be found, including countries which afforded agricultural protection. Furthermore, the emphasis laid on the integration of regional markets might possibly lead to a new form of protection which would be even less desirable than protection by means of high tariffs. Mr. Sveinbjørnsson agreed with the Netherlands representative that to proceed with this proposal was likely to cause confusion in view of the fact that a Working Party had already been entrusted with the study of tariff problems. The Danish delegation wished that the French delegation would proceed first to discuss the problem with the existing Working Party.

M. SUETEMES (Belgium) agreed that the proposal merited the greatest interest and sympathy. It might be worth recalling in this connection that a similar attempt had been made twenty years ago when an agreement was reached between France and the Benelux countries at Ouchy in 1931 for a flat reduction of their tariffs by 50%. The present proposal referred also to the coordination of tariff reduction with efforts for economic integration. This was a particularly valuable proposal since countries which could not expect other compensation for reductions in their tariffs might be satisfied with the benefits they might derive from the integration of markets. He thought the proposal should be referred to the Working Party already in existence since any other procedure might lead to protracted and sterile discussions.

Sir Hartley SHAWCROSS (United Kingdom) suggested that this technical and complex proposal should be referred forthwith to the Working Party since no useful purpose would be served by prolonged discussion at this meeting.

M. PFLIMLIN (France), referring to the suggestion that the Working Party set up at Torquay should deal with his proposal, was not certain whether that Working Party, which had been instructed to meet during the intersessional period and to present its report prior to the opening of this Session, was still in existence. That Working Party, even if it still existed, would not be competent to examine the French proposal inasmuch as the latter referred to the tariffs of the world and not to those of Europe only. The French Delegation would, however, be agreeable to its proposal being referred to the

Working Party appointed at Torquay, provided its membership was broadened to include non-European countries. Since the contracting parties would perhaps need some time to reflect on the question, it might be desirable to defer discussion to some later time. M. Pflimlin did not think that the Contracting Parties would be acting appropriately if they refused the inclusion of this item on the Agenda.

Mr. THORP (United States) said that the French proposal embodied an entirely new approach to the question of tariff reductions and as such would have to be very carefully considered. This being the case it would be unreasonable to expect that governments could act upon it with rapidity. The United States delegation had communicated the proposal to its Government, but in view of the importance of the question, he could not expect to receive instructions before the end of the present Session. If the Contracting Parties should decide to proceed to examine the French proposal, the United States delegation regretted that it would be unable to participate in the discussions in a responsible way or to make any commitment. On the other hand, it would be equally undesirable for the question to be left open until the next Session. The Working Party set up at Torquay, although generally thought of as a Party dealing with European tariff problems, was in fact not purely regional and would be the appropriate body to deal with a proposal of this nature. That Working Party would indeed have great difficulties in performing its task if it were made to feel that it was incompetent to deal with tariff questions except within a very limited sphere. In conclusion, Mr. Thorp regretted that his delegation could not undertake to participate on the basis of instructions in the study of the French proposal at this Session and believed that the same must be true of many other delegations.

Mr. DHARMA VIRA (India), agreeing with the United States representative, indicated that his delegation would not be able to discuss the matter at the present Session in the absence of definite instructions. Instead of referring the proposal to the Working Party, it would be more desirable if the French Government could further elaborate upon the proposal and transmit a more detailed explanation through diplomatic channels to the contracting parties so as to prepare them for discussion at the next Session.

Mr. van BLANKENSTEIN (Netherlands) recalled that a number of governments had concluded at Torquay that it would be expedient if the question could be considered first within the European framework. During the discussion at the Special Session in April, it was assumed that any reductions of tariffs resulting from the work of the Working Party would be applied to all contracting parties without discrimination. If the French proposal should be allowed to overshadow the Working Party's efforts the earlier proposal regarding European tariffs would be prejudiced. The Netherlands delegation had had precise instructions to oppose any suggestion to refer the French proposal to the next Session, as it was the considered opinion of his Government that that action would block the way to any further progress that the existing Working Party might be expected to make. He would also point out that seven of the fourteen members of the Working Party on European Tariff Levels were non-European countries.

M. PFLIMLIN (France), with reference to the suggestions of the representatives of the United States and India, agreed that to take up the question at present might create difficulties for delegations which had had no opportunity of

consulting with their Governments, X He proposed that the matter be deferred for a few days for reflection and said that his delegation would not insist upon its insertion in the Agenda. X *Cons 1*

Mr. ISBISTER (Canada) thanked the French Delegation for its initiative in making this important proposal. His delegation was attracted above all by the simplicity of the procedure envisaged in the proposal; if a flat reduction by a fixed percentage could be agreed upon, prompt progress in the reduction of tariffs could indeed be expected in contrast with the protracted and laborious process of detailed discussions involved in multilateral negotiations. Multilateral negotiations as a means of bringing about tariff reductions had been found less and less effective, but this was not because the general situation had so changed as to render the method no longer valid but because of one or two specific difficulties. These difficulties were not limited to matters relating to European countries, but the main obstacle in the way of tariff reductions by means of multilateral negotiations was the fact that certain European countries with very low tariff levels had come to the end of their capacity to offer fresh concessions. The position of the Canadian Government had been made clear at Torquay and any solution which might be agreed upon for the European problem would receive the closest attention of the Canadian Government. He had not had an opportunity of referring the French proposal to his Government for instructions, but would support the view that the proposal should in the first instance be referred to the intersessional Working Party on the ground that to proceed with the proposal independently of the discussions of that Working Party would inevitably prejudice the work of the group.

The meeting rose at 1.15 p.m. (Discussion of the subject to be continued at the next meeting)

