

GENERAL AGREEMENT ON TARIFFS AND TRADE

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CONTRACTING PARTIES
Sixth Session

SUMMARY RECORD OF THE TWENTY-SIXTH MEETING

Held at the Palais des Nations, Geneva,
on Friday, ~~26 October~~ 1951, at 10.30 a.m.

Chairman: Mr. S. A. HANIE (Pakistan)

- Subjects discussed:
1. Memorandum by the Delegation of Czechoslovakia concerning the Declaration of the Contracting Parties on the Suspension of Obligations by the United States and Czechoslovakia (Continued).
 2. Belgian Import Restrictions.
 3. Report of Working Party 6 on Balance-of-Payment Restrictions (Continued).

1. Memorandum by the Delegation of Czechoslovakia concerning the Declaration of the Contracting Parties on the Suspension of Obligations by the United States and Czechoslovakia (Discussion continued) (GATT/CP.6/5/Add.2 and 49)

Dr. van BLANKENSTEIN (Netherlands) regretted that the point of order raised by his delegation at the previous meeting had caused a prolonged discussion. They would withdraw their objection to the inclusion of this item on the agenda if it were understood that no discussion would be entered into on the memorandum of the Czechoslovak delegation.

Mr. LEDDY (United States) said that in the light of the statement by the Netherlands representative his delegation would also withdraw its objection to the inclusion of this item on the agenda.

It was agreed that the item proposed by Czechoslovakia be included in the agenda.

Mr. Tauber (Czechoslovakia), recalling the discussion at the fourteenth meeting at which he had requested that his Government be freed under Article XXIII to withdraw the concessions initially negotiated with the United States, stated that his Government had now decided that as from November 1, 1951 it would charge the highest rate of customs duty on goods of United States origin imported into Czechoslovakia in respect of which Czechoslovakia had granted the United States direct reductions following the negotiations of 1947.

In declaring this suspension of its concessions the Czechoslovak Government would stress that it considered the decision taken by the Contracting Parties on September 27, for the suspension of obligations between the United States and Czechoslovakia, as illegal and therefore null and void. The Czechoslovak Government had in no instance violated either the letter or spirit of the General Agreement. When it signed the Agreement in 1948, it thought it had taken action of fundamental importance in its foreign policy committing itself to the fullest international co-operation in the economic field. This co-operation, in the view of the Czechoslovak Government, required the observance of the principle of non-discrimination in international trade and non-interference in the internal affairs of other countries. The motives and objectives of the United States had been made clear by the conduct of its commercial policy which was not aimed at the promotion of peaceful commercial relations or co-operation in general. Many of its actions had been contrary to the obligations it had undertaken under the Agreement, for example, the prohibition and restrictions on imports of dairy products. Trade policy had been pursued with the sole idea of furthering political aims, with the result of spoiling amicable international relations.

Mr. Tauber, referring to the remarks made by various representatives at earlier meetings, in connection with the import restrictions on dairy products, recalled the position taken by the United States delegation on the recent proposal of the Belgian Government to take certain measures to deal with current financial problems. It was regrettable that some representatives had associated themselves with the United States, thus supporting the unjustifiable interference in the internal affairs of another country. This fell short of the high level of conduct expected of contracting parties and the measures taken by the United States were undoubtedly a violation of the provisions of the General Agreement. Mr. Tauber then stated that, in pursuance of the true spirit of the Agreement, his Government would not apply this increase in customs duties to its imports from the territories of other contracting parties.

The CHAIRMAN thought it would not be proper to re-open the discussion on the Declaration which had been approved earlier in the Session; the Contracting Parties should merely take note of the intention of Czechoslovakia to apply maximum rates of duty to the products of the United States as from November 1, 1951.

Mr. TAUBER (Czechoslovakia) agreed, but wished it to be recorded that the Contracting Parties considered the action by Czechoslovakia to be covered by the provisions of Article XXIII of the Agreement. The Declaration taken on September 27 was based on no particular provision of the Agreement, whereas the Czechoslovak action was based on Article XXIII and should be so considered.

M. LECUYER (France) agreed with the Chairman that the discussion should not be re-opened. Since no new decision was called for, the Contracting Parties, having listened to the statement by the Czechoslovak representative, should consider the matter closed and proceed to the next item on the agenda.

The CHAIRMAN re-affirmed his view that, by their Declaration of September 27, the Contracting Parties had agreed that the Government of Czechoslovakia would be free to suspend their obligations under the General Agreement with respect to the United States.

Mr. ADARKAR (India) supported the Chairman's view. .

2. Quantitative Import Restrictions applied by Belgium

The CHAIRMAN referred to the discussion which had taken place at the twentieth meeting on 22 October, and stated that he wished to summarise the salient points as they had developed and to suggest to the Contracting Parties, and in particular to those contracting parties most directly concerned, a way of dealing with this problem at this session. The Belgian representative had explained that the restrictions imposed were part of a programme designed to prevent the threat of inflation by limiting the extension of Belgian-Luxemburg credits to foreign countries and by reducing the surplus of the two countries in the European Payments Union. He had indicated that Belgium-Luxemburg was not in balance-of-payment difficulties, there being no imminent threat of a serious decline in monetary reserves. The Belgian Government thought it could not be expected to justify these measures under Article XII of the Agreement, and in their view they fell within the provisions of Article XV: 9(b).

On the other hand, other delegations had called for consultations on these restrictions under Article XII:4(a). The delegations of countries adversely affected by these measures, though aware of the factors cited by the Belgian representative, had indicated that they did not believe that these factors or the reference to Article XV in any way removed the need for consultations under Article XII. They considered that these measures, although exchange restrictions, were also trade restrictions subject to the provisions of Article XII. The United States and the Canadian representatives had stated that the trade of their countries had been damaged and that the substance of this matter should be dealt with by the Contracting Parties. However, it was understood that these delegations, in view of the Belgian statement that the Economic Union was not in balance-of-payment difficulties, now believed that consultations under Article XII:4(a) would serve no useful purpose. At the same time, they did not believe that more general consultations would be helpful.

The CHAIRMAN suggested that these developments allowed the Contracting Parties to deal with this problem in the following way. Although Belgium considered that it was acting within the terms of the Agreement, it was clearly the opinion of the United States and Canadian delegations that Belgium had departed from its provisions. Any government which held that view could initiate proceedings under the provisions of the Agreement relating to departures from its obligations such as Article XII:4(d) or Article XXIII. He hoped, however, that governments would give the matter most careful consideration while reserving all their rights to seek redress. The Chairman concluded that the wisest course for the Contracting Parties would be to take careful note of what had been said. These were not simple matters; they were matters which posed serious problems for governments. Bearing in mind that the Belgian representative had stated that the Economic Union was not altering the fundamentals of its commercial policy, that Belgium intended to abide by the rules of the General Agreement, and that these dollar restrictions might be removed in the near future, he would recommend that the Contracting Parties do not pursue the matter further at this session, and that the record be allowed to stand as he had summarised it. In his opinion the integrity of the Agreement would be preserved by this proposal, and no-one's rights were adversely affected by his recommendations.

The summary by the Chairman and his recommendations were accepted.

3. Report of Working Party 6 on Balance-of-Payment Restrictions:

- (i) Report on Procedures for the Third Annual Report on Discriminatory Application of Import Restrictions and for Consultations in March 1952 under Article XIV:1(g). (GATT/CP.6/52).

Mr. PHILLIPS (Australia), as Chairman of Working Party 6, drew attention to the recommendation that contracting parties should be requested to supply up-to-date information, supplementary to that given in their reply to the earlier questionnaire, on the discriminatory application of import restriction and that the Secretariat should prepare material to assist the Contracting Parties in their preparation of the third annual report and in their consultations in 1952. Secondly, contracting parties taking action under Article XIV:1(c) or Annex J should initiate consultations by 15 March 1952, and these should be listed in the Agenda for the Seventh Session.

Mr. FRIEDMAN (International Monetary Fund) confirmed that the procedures recommended by the Working Party would be acceptable to the Fund.

The recommendations of the Working Party were approved.

- (ii) Report on Procedures for Intersessional Action on Matters Arising under Articles XII to XIV (GATT/CP.6/52).

Mr. PHILLIPS (Australia), as Chairman of Working Party 6, reported that at the request of the Chairman of the Contracting Parties the Working Party had reviewed the procedures adopted at the Third Session for dealing with questions which might arise between sessions under Articles XII to XIV. The decision of the Contracting Parties to appoint an Ad Hoc Committee on Agenda and Intersessional Business had rendered unnecessary certain provisions of the existing procedures, particularly the appointment of a select committee dealing with matters arising under certain provisions, and the discretion:

hitherto given to the Chairman of the Contracting Parties. The modifications recommended were set forth at the end of the report; these involved, among other things, a new procedure for the appointment of intersessional working parties.

Mr. TAUBER (Czechoslovakia) said that to be consistent with his earlier opposition to the proposal regarding an Intersessional Committee he would not support these new procedures insofar as they required the setting up of such a committee.

Mr. VARGAS GOMEZ (Cuba) commended the Secretariat on the draft report on import restrictions which it had prepared and which, in his opinion, was outstanding for its sincerity and impartiality, and he paid tribute to the Chairman of the Working Party for his able conduct of its deliberations and his handling of the most difficult task of the session. The Cuban delegation, however, believed that the Working Party, because of the position taken by the majority of its members, had failed in its mission. The essence of Article XII:4 (b), requiring a review of all existing restrictions had been overlooked, and the Working Party had failed even to carry out a free and frank discussion of these restrictions on the basis of available information. The limited achievement of the Working Party was all the more regrettable since the representative of the Fund had expressed the view that, difficulties and uncertainties notwithstanding, it would be possible for some contracting parties to remove some of their restrictions. A fuller discussion of individual restrictive systems might have led to very practical results in connection with the general objectives of relaxing and removing restrictions.

The Cuban delegation was deeply concerned about the general policy on import restrictions that had been discernible at this session, and in the light of this disappointing experience, it was also concerned about the prospects for the consultations to be held in 1952 and about the future of the General Agreement itself. His Government was prepared to comply fully with its obligation of accepting restrictions which can be justified on balance-of-payment grounds and could be relied upon to show a spirit of cooperation in its attitude towards the countries suffering financial difficulties. But at the same time it would expect these countries to fulfill their obligations by removing or relaxing their restrictions whenever possible. In the coming consultations there should be a frank disclosure of information and ample opportunity for discussion of restrictive systems. And whenever new restrictions were applied the contracting party concerned should respect the provisions of the Agreement and accept without question its obligation to consult with the Contracting Parties. If the majority of the contracting parties felt it impossible fully to comply with the provisions of the Agreement regarding restrictions, the Cuban Government believed that that fact should be honestly recognized and those provisions should be revised.

Mr. DONOSO (Chile) stated that the import control in force when Chile acceded to the General Agreement was much more restrictive than that applied at the present time; the present system of restrictions provided for the unrestricted importation of goods representing nearly 30% of foreign expenditure in 1951, and under it many goods could be imported on the sole condition that the required foreign currency was available. This demonstrated the importance which his Government attached to the objectives of the General Agreement and showed that his Government had done the utmost which was practicable in the present circumstances of international financial relations. Although Chile's dollar receipts had been increased recently through the augmented export of copper, the net deficit in dollars continued because

certain European governments insisted upon payments being made in dollars for certain of their exports previously purchaseable with soft currencies. On account of the need to import goods indispensable to the economic development of the country the problem had become more and more serious, the only possible solution being the continued application of quantitative restrictions. Up to the present international financial assistance rendered to under-developed countries had not been on a scale by any measure comparable to that which had been given to industrialized countries. The economic development of under-developed countries was a long process since the modernisation of agriculture, the establishment of industries, the raising of production and the diversification of an economy all required many years. It was therefore unreasonable to expect under-developed countries to arrive at equilibrium in their international payments in the foreseeable future by raising the level of their exports; the only way of achieving this would be through an effective and permanent international co-operation in the financial field. The problem was not the same for countries already industrialised such as those in Western Europe. These countries, having since the war succeeded in the reconstruction of their economies and having reached levels of employment and production higher than in pre-war days, could be expected further to increase their productivity in the near future. It should not be impossible for them to dispense with their import restrictions and to observe the general objective of non-discrimination embodied in the Agreement; such organisations as the European Payments Union which were necessary for their economic progress should above all not be made instruments of discrimination against other countries.

In conclusion Mr. Donoso reaffirmed his view that it was impossible to achieve free and stable world trade if serious consideration were not given to the economic development of under-developed countries; this was the fundamental prerequisite for the re-establishment of international trade without restrictions and without discrimination.

Mr. BONHOMME (Haiti) associated himself with the representatives of Cuba and Chile and paid tribute to the Chairman of the Working Party. He was concerned about the general attitude of the Contracting Parties in regard to quantitative restrictions. If it were recognised, as it should be, that a serious divergence existed between the provisions of the Agreement and the realities of the world situation, the Agreement should be so modified and made to be in conformity with facts, rather than that the Contracting Parties should, in considering matters of grave importance, ignore certain of its provisions.

Mr. BATALHA LIMA (Brazil) expressed his satisfaction with the draft report prepared by the Secretariat and stressed the significant economic difference between the under-developed and industrialized countries, which must be taken into account in examining their position with respect to Article XII of the General Agreement and Article XIV of the Fund Agreement. The difference between an under-developed and a developed country might be likened to two machines, one of which was in full operation, but the other still in the stage of being built. Restrictions applied by under-developed countries were often absolutely necessary because their continuing or permanent import requirements constituted unavoidable commitments on the foreign account. Industrialized countries, on the contrary, often applied balance-of-payment restrictions not as an instrument of financial defence but simply in order to strengthen their economic position. These were nevertheless applied under the provisions of Article XII of the General Agreement and Article XIV of the Fund Agreement, although some contracting parties might wish to apply restrictions without reference to any provisions of either Agreement. The Contracting Parties as well as the Fund would do well to give due consideration to these remarks.

Mr. ADARKAR (India) said he did not share the disappointment expressed by the representative of Cuba and the United Kingdom for he did not believe that in the circumstances the Working Party could have achieved more. Article XII:4 (b) provided for a review of restrictions, and not for consultations such as the Cuban representative would wish to see carried out. It was open to a contracting party wishing to initiate consultations to resort to Article XII:4 (d). The Working Party had indeed acknowledged that quantitative restrictions were being applied, but it had also noted that very few countries had not taken some steps to relax or eliminate restrictions. Furthermore, it was not the task of the Working Party to discuss the cause or justification of particular restrictions. If a contracting party felt a real grievance it could either propose that the provisions of the Agreement for review of restrictions should be modified so as to require consultations to be instituted in its place, or alternatively, take action under Article XII:4 (d). And, if quantitative restrictions considered as an obstacle to international trade, were to be made the object of a general examination, it would be appropriate that all such obstacles, including prohibitive tariffs, should be given similar treatment.

Mr. REISMAN (Canada) felt that the important and constructive statements of the representatives of Brazil, Chile and Cuba should be given attention by the Contracting Parties. He suggested that delegations should bring these views to the notice of their governments.

Mr. VARGAS GOMEZ (Cuba) said that he had merely wished to make clear the views of his Government on the general questions of quantitative restrictions, and would therefore not enter into a discussion of the questions raised by the representative of India.

Mr. VILLALON (Dominican Republic) supported the views expressed by the representatives of Brazil, Chile and Cuba regarding import restrictions in general and regretted that restrictions were still being so prevalently

applied to the detriment of international trade. He hoped that by the time the consultations took place in 1952 there would have been a substantial reduction in the instances of restrictive measures.

The recommendations of Working Party 6 on procedures for report and consultations in 1952, were approved.

The meeting rose at 1.00 p.m.

