

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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Limited Distribution

CONTRACTING PARTIES
EIGHTH SESSION

SUMMARY RECORD OF THE FIFTH MEETING

Held at the Palais des Nations, Geneva
on Monday, 21 September 1953, at 3.p.m.

Chairman: Mr. Johan MELANDER (Norway)

- Subjects discussed:
1. Article XXVIII (continued).
 2. Difficulties arising out of the Application of Article I.

1. Article XXVIII (continued)

Mr. HOWE (Canada) said that the Canadian Government was in favour of extending the assured life of the present tariff schedules for a further period of eighteen months. He wished to stress the undesirability of any widespread withdrawals or modifications since such action would weaken the General Agreement. He agreed with the view expressed earlier by the representative of the United States that re-binding should take effect only among those contracting parties which signed the declaration extending the assured life of the concessions in the schedules.

Mr. THORNEYCROFT (United Kingdom) stated that his Government was in favour of continued postponement of the operation of Article XXVIII because this was a difficult transitional period during which it would be most unwise to risk the unravelling of the present tariff structure. Referring to the difficulties expressed by some contracting parties, he pointed out that these difficulties were more or less common to most of the contracting parties and that his own Government also had received applications for decreases in the duties on bound items. In his view the difficulties would be substantially increased if some contracting parties did not participate in the re-binding. He agreed that the proposal be referred to a working party which could also carefully examine the adequacy of existing procedures and safeguards for meeting the sort of difficulties that had been mentioned.

The CHAIRMAN, declaring the discussion closed, found that a majority had expressed themselves in favour of an unqualified extension of the assured life of the schedules. He proposed the appointment of a working party with the following terms of reference:

1. To prepare an instrument for signature by contracting parties prolonging the assured life of the Schedules to the General Agreement; and
2. To consider the best means of dealing with the special difficulties of individual contracting parties, mentioned during the plenary discussion on 21 September, and to submit appropriate recommendations to the CONTRACTING PARTIES

and composed as follows:

Chairman: Mr. S. Sahlin (Sweden)

Australia	France	New Zealand
Belgium	Germany	Turkey
Brazil	Greece	United Kingdom
Canada	India	United States

In answer to a question by Mr. Machado (Brazil), the CHAIRMAN stated that the difficulties mentioned in the second paragraph of the terms of reference related only to the period for which the schedules would be rebound.

2. Difficulties arising out of the Application of Article I (L/115)

Mr. THORNEYCROFT (United Kingdom) described a problem which, he said, was giving rise to real and urgent difficulties in the United Kingdom. His purpose was to ask the CONTRACTING PARTIES to help his Government to surmount these difficulties. It was easy in these matters to get involved in technicalities but the essence of the problem was simple. He therefore wished first to state the problem and then to explain how best they thought it could be solved.

The United Kingdom Government were unable to increase the tariff on any unbound item. The contracting parties would best understand this problem if they considered the situation which would arise in their countries if they lost their freedom to adjust rates in their tariff on which they had made no commitment. He wished to make it clear that their proposal did not affect any single item on which the United Kingdom had entered into a tariff commitment. They were concerned here only with that part of their tariff in which the rates were not bound - that part which other contracting parties could change without difficulty.

The reason for this restriction of their freedom arose out of the traditional policy of the United Kingdom to accord free entry to a large range of goods from Commonwealth countries. It was actually more than a tradition. The United Kingdom in fact had no legislative power to impose duties on these products. They found themselves, therefore, in the following dilemma: the General Agreement did not allow them to raise the duty against one country unless they raised it against all; the United Kingdom law said that the protective tariff could not be applied to Commonwealth trade. The result was that they could not alter the greater part of the United Kingdom tariff: both bound and unbound items were in effect frozen. To introduce legislation to alter this state-of-affairs, which would constitute a radical departure from United Kingdom tariff policy, was not possible. Neither Parliament nor the public in the United Kingdom could agree to adopt such a fundamental alteration in tariff policy in order to achieve universal compliance with technical provisions of the General Agreement which were, as he would show, of somewhat theoretical significance.

He emphasized that it was not their intention to use any waiver for the purpose of increasing preferences. They had not only stated that in L/115, but were prepared to have it made plain in the waiver itself. All they asked was to obtain from the CONTRACTING PARTIES the freedom which every other contracting party enjoyed to alter rates in cases where no binding had taken place, and where a case for increased protection was established. Over a substantial area of trade an increase in the margin of preference, incidental to an increase in the most-favoured-nation rate, could lead to no diversion of trade because the Commonwealth did not supply the goods concerned. He did not think any questions would be raised on action relating to products falling within that area. He stressed their readiness to provide safeguards in the limited number of cases in which an increase of the margin of preference might lead to a substantial diversion of trade to the Commonwealth. The procedure which they suggested was set out in L/115. The waiver they were asking for would apply only after consultation, or if necessary, arbitration. This was certainly far short of what was needed to give them the same tariff autonomy as other countries enjoyed. To do that, they would require a general waiver under Article I allowing them to increase duties without placing corresponding charges on Commonwealth goods, but that would place an intolerable strain on the General Agreement. For that reason they asked for a narrowly restricted and qualified waiver which, he assured the CONTRACTING PARTIES, would not be easy to defend in the United Kingdom. It was the absolute minimum necessary to overcome their difficulties.

Some contracting parties might ask why his Government could not approach the CONTRACTING PARTIES for a separate waiver in each case. This would not meet the need at all and would be quite impossible to defend. They needed

freedom to move their unbound rates in the same way as any other nation subject to the general obligations of the Agreement. It was politically indefensible to suggest that the United Kingdom should submit to debate or negotiation each item which they wished to change in the unbound part of the tariff. Nor was such a procedure administratively practicable, involving as it would a process of continuous tariff negotiation. He thought that their proposals for discussion and arbitration went as far as was reasonably possible.

Others might say that they objected to the increase of any rate of duty. He doubted whether the issue was entirely relevant because no one would ask of the United Kingdom that it be the only country unable to alter rates in its unbound list. He did not, himself, believe in high protection and had not been afraid to say so in his own country but their industries and agriculture had been told that, where protection was justified, a tariff and not a quota was the right method. Their aim was to abolish quotas as soon as their balance-of-payments position allowed. European nations had to admit that in this field the United Kingdom had moved as fast or even faster than their debtor position would perhaps justify. For some time his Government had had under consideration applications for increased tariff protection on a range of horticultural produce. His Government had to announce and implement, without further delay, their decisions on these applications. Quotas at present operated on these goods and the tariff decision was the first and essential step towards removing the quota. It was in the interest of Europe, as well as their own, that the United Kingdom should get this waiver in order that they could liberalise their trade. As to the effect of the waiver, he wanted to make it clear that it was not the instrument which would enable them to raise their tariff. Their right to raise the tariff was due solely to the fact that their tariff was not bound; all the waiver did was to enable them to exercise that right without introducing legislation, in the face of universal criticism, to charge duties on Commonwealth trade, and without placing an intolerable strain on the rules of the General Agreement as to the use of quotas.

For very many months he had been forced into delaying tactics through his inability to take action under these complex circumstances.

The whole issue, so far as other countries were concerned was more technical than practical. The removal of these technical difficulties would ease the position in the United Kingdom where otherwise it would be easy to use them as a basis of propaganda against the General Agreement itself. The waiver would not put the United Kingdom on as favourable a basis as other nations with regard to unbound items. It would, however, do something to overcome the difficulties he had described, and would clear the way for the removal of quantitative restrictions as and when their balance-of-payments permitted. The United Kingdom had been very scrupulous of her obligations under the General Agreement and they thought they were entitled to ask the other contracting parties to give them some assistance in this matter.

Mr. SEIDENFADEN (Denmark) said that the problem before them had aroused great interest in Denmark where public opinion was strongly opposed to preferences. This was not only due to the fact that preferences were contrary to the aims of the Agreement, but mainly because Danish farmers felt that the system of preferences hurt them directly and that the Ottawa Agreement was unfair to Denmark where for generations the whole structure of agricultural production had developed in accordance with the tastes and wishes of their largest customer, the United Kingdom. The rule allowing the maintenance of preferences had been considered an important concession to the countries belonging to preferential areas. Preferential systems had thereby been legalised. In Denmark it had been felt that the safeguards contained in Article I were as important as, for instance, the benefits derived from tariff negotiations and, consequently of decisive importance for the public support of their accession to the Agreement. The reaction he had indicated might rest on a misapprehension, in as much as it was the declared intention not to improve the position of countries which enjoyed preferential treatment at the cost of third countries. However, even though his Government had no reason to distrust the statement that the waiver was wanted for a very limited purpose and even if they disregarded recent statements in a section of the British press, they would find it hard to explain to a broad and politically influential part of the population the facts as they were presented to the CONTRACTING PARTIES.

Therefore the attitude of the Danish Government was necessarily a negative one. They could not understand why the waiver was wanted; why duties could not be imposed on the insignificant imports from the Commonwealth; why it was impossible to request a specific waiver for certain categories of goods instead of a general waiver of a rather sweeping nature; and why the present moment should be chosen instead of postponing the question until the Agreement was reviewed and the important and interrelated questions of preferences, agricultural protection and quantitative restriction could be discussed in their broad aspects. Hitherto the United Kingdom had opposed piecemeal modification of the Agreement. The present proposal, if accepted, would not only constitute an important modification but would open the door to requests from other contracting parties and, in any case, would give strength to the views of those - to be found in every country - which were opposed to the General Agreement. These were generally the main reasons for their concern. He wished, however, to examine the facts and search - as befitted the representative of one of the smaller countries - for a compromise. They would not endeavour to obtain a rejection of the proposal. If the CONTRACTING PARTIES felt that a solution should be found his delegation was instructed actively to collaborate. It was clear that a working party would have to be appointed and he would request that his country be represented thereon.

Mr. Seidenfaden reserved his right to go into details at a later stage but he wanted to draw attention to certain important points. In the first place, the United Kingdom proposal showed the intention to increase, or at

least to stabilise, protection. A tendency was developing in all countries to consider customs duties as the proper form of protection. The danger was that protection itself might come to be considered "proper". The United Kingdom proposal ran counter to the objectives of the Agreement in general and in particular to the thinking on which were based the Pflimlin Plan and other plans for tariff reduction. Secondly, they understood that the intention of the United Kingdom was to concentrate their action under the proposed waiver to the horticultural and agricultural field. The Danish Government had on every occasion reiterated that growing agricultural protection in Europe was the foremost obstacle to the creation of a common European market which was the foundation for a sound economic development and for the furtherance of greater political unity. In view of the discussions in the Organisation for European Economic Co-operation and in connection with the proposed Green Pool on the liberalisation of trade in agricultural products, and of present expectations in the whole of Europe of a fundamental change in the protectionist policies in the United States, and of the necessity to give a good example on this side of the Atlantic, the timing of the proposal now before them seemed particularly unfortunate. Thirdly, the Chairman's opening speech and the comments following it were evidence of a general feeling that in the not-too-distant future an attempt should be made to move forward in international collaboration in the field of commercial policy and tariffs. In this connection again it appeared as an ill omen that this constructive task should be preceded by a step in the opposite direction by one of the most important contracting parties. Only very hesitatingly, the Danish Government would follow a majority of the contracting parties, if it was felt that a practical solution had to be found to assist the United Kingdom, and his delegation would approach this task with great care to ensure that safeguards in their own interest and in the interest of the Agreement were introduced.

Mr. MACHADO (Brazil) wondered if in dealing with the request made by the United Kingdom for a waiver from Article I, the CONTRACTING PARTIES were not going against the earlier decision to postpone the operation of Article XXVIII. He asked if it was proper to refer this item to a new working party.

Dr. HELMI (Indonesia) said that the item under consideration was of great interest to his delegation. Since he had not yet received instructions from his Government he reserved the right to express his delegation's views at a later opportunity.

Mr. ISIK (Turkey) expressed the hope that after general statements had been made the matter would be referred to a working party for thorough examination. The proposal before them raised important questions of principle. The maintenance of preferential treatment had been accepted in the Agreement only as a recognition of a situation of fact with the proviso that contracting parties should aim at its elimination. It was therefore clear that any suggestion which, for whatever reason, tended to increase preferences would be contrary to the letter and to the spirit of the Agreement. His delegation

appreciated the fact that the United Kingdom had expressly stated that any waiver would not have the effect of diverting trade in favour of preferential areas, but despite the good intentions which had been expressed, the conclusion could not easily be escaped that the proposal would conflict with their general aim of progressively eliminating preferences. Those contracting parties which neither enjoyed nor granted preferential treatment had already made their maximum concessions and had thereby shown a great degree of understanding. If at present they showed some concern towards what appeared to be a tendency to further favour the principle of tariff preferences, this was clearly understandable. Although the United Kingdom considered this a purely technical problem, it did not seem possible to examine the proposal independently of the important question of principle involved.

The United Kingdom representative had stated that to place a duty on imports from Commonwealth territories which benefitted from free entry, would run counter to an established tradition of United Kingdom tariff policy. This argument caused him considerable concern because it amounted to saying that opinion in the United Kingdom was not prepared to accept a reduction in preferences. This was certainly contrary to the aims which the CONTRACTING PARTIES had set themselves in the Agreement. If such was the case, the CONTRACTING PARTIES should not merely take note of the fact but should endeavour to persuade opinion in the United Kingdom of the necessity of modifying their views in this matter. The CONTRACTING PARTIES should also investigate whether from the point of view of the economic interests of Commonwealth countries, it was absolutely necessary for the United Kingdom to grant free entry to the products of these countries. This matter should be discussed in detail in a working party, together with the other members of the Commonwealth. Only if it should appear that, in the circumstances, it was absolutely necessary for the United Kingdom to continue to grant free entry to the products in question from the Commonwealth, could the CONTRACTING PARTIES examine the possibility of granting a waiver to the United Kingdom.

Another point arose out of the United Kingdom paper in connection with the distinction made by them between bound and unbound items. This caused him some concern insofar as margins of preference could not be increased whether the most-favoured-nation rate had been bound or not. It would be dangerous to introduce into the Agreement the principle that the binding of margins of preferences on unbound items was in any way less firm than the margins relating to bound items in the most-favoured-nation schedules. Bindings were the result of tariff negotiations whereas the obligation not to increase margins of preference constituted a fundamental condition which permitted certain contracting parties to agree to the maintenance of existing preferences. His delegation was prepared to study with the greatest understanding and sympathy the difficulties set out by the representative of the United Kingdom and they would do their utmost to collaborate in finding a way out of the particular difficulty.

Mr. SINGH (India) stated that his Government would support the request submitted by the United Kingdom for a general waiver from Article I. In arriving at this decision his Government had objectively examined the proposals bearing in mind the following important considerations: Did the proposals seek to modify the obligations under Article I and extend preferences? Was it reasonable to ask for a waiver which would place them in a position similar to that of other contracting parties in regard to unbound items? And, thirdly, did the proposals contain sufficient safeguards for affected parties? His delegation felt that the request of the United Kingdom was reasonable and worthy of support. It neither sought modification of their obligations under Article I nor was it aimed at extending margins of preference. The procedure for arbitration and consultation set out in the proposal had sufficient safeguards. He favoured the setting up of a working party to examine the principles involved and the procedural aspects of the proposal.

Mr. BENTINCK (Netherlands), expressing his support for the statement of the representative of Denmark, said that it was well known that the duties which the United Kingdom intended to raise would in many instances affect Netherlands exports. They had had assurances that the only object of the United Kingdom was to do away with quantitative restrictions. It was, however, difficult for his Government to know what the effects of the United Kingdom rate increases would be in the absence of any precise knowledge as to the measure of the tariff increases which would be made. Therefore, pending further information, he was willing to assume that after the United Kingdom action they would not be better nor worse off than they were at present. He would say that in order to make it clear that his statement was not based on considerations of immediate advantage or disadvantage. Turning to the proposal itself, he admired the presentation of the case and appreciated the efforts which have been made to meet the difficulties of other countries. The matter, however, touched on certain principles to which his Government attached great importance. He did not doubt the good faith of the United Kingdom in presenting this as a technical matter, and he was also convinced that this was not the thin end of any wedge whatever. There could however be no doubt about the expressed intention of the United Kingdom to increase rates of duty.

It was also well known that the Government of the Netherlands had for years pressed for a general reduction of duties and it was therefore a matter of principle with them that they should oppose any increase, particularly when they were intended to cover a whole range of products. They could therefore not co-operate in any action of the CONTRACTING PARTIES which might lead to an increase of duties in the United Kingdom on a considerable number of items. The more so as this would occur at a time when there was no certainty of a general reduction of tariffs.

The proposal affected the principle that no new preferences should be established to which principle his Government also attached great importance. In view of the fact that from 20 to 25 per cent of the exports of the Netherlands were directed towards the Commonwealth countries, his Government had great interest in the practical effects of a waiver. He was convinced that the United Kingdom did not want to upset the principle of the Agreement regarding preferences and he appreciated that safeguards were provided in the United Kingdom draft, but the fact could not be escaped that a general waiver would entail the recognition of the principle that if a country belonging to a preferential area wanted to increase the most-favoured-nation rate on a product which enjoyed free entry in its preferential tariff, it could do so without a corresponding increase in the preferential rate. Admittedly, according to the United Kingdom submission, the waiver was to be limited to cases where no diversion of trade was likely but such limitations were too easily forgotten by those who wanted to establish a precedent. He understood some of the reasons why the United Kingdom considered it urgent to submit their request to the CONTRACTING PARTIES, but considered it unfortunate that the CONTRACTING PARTIES should be asked to take a decision at the present moment when it was clear that the Agreement would be reviewed in the foreseeable future and it appeared likely that Article I would be one of the subjects under discussion.

He hoped he had made it clear that their objections were due to the fear of an impairment of the spirit and the principles of the Agreement. In fact his delegation were very doubtful whether they were really faced with exceptional circumstances of the nature envisaged by those who drafted paragraph 5(a) of Article XXV.

Mr. NOTARANGELI (Italy) said that after careful consideration of the United Kingdom proposal, his Government could not avoid the conclusion that besides the question of principle to which the proposal gave rise and the effects which it might have on the vitality of the Agreement itself, it might substantially affect trade relations between Italy and the United Kingdom. Both these aspects required a full examination of the problem. A piecemeal consideration of the particular point at present and the general point at a later date would not be profitable. He referred to paragraph 6 of the United Kingdom submission (L/115) in which the United Kingdom "reserved the right to revert at an appropriate later stage to certain problems which might in future arise in relation to items at present in the Schedule". The waiver - defined as of a purely technical character - represents a deviation from the principles of Article I and was independent of the legal status of the duties. For that reason he felt the problem should be examined in all its aspects. From the point of view of his country's trade relations with the United Kingdom, the problem was of fundamental importance. Since 1951, it had been repeatedly affirmed that duty increases on a range of agricultural products were under consideration. These represented a substantial part of Italian exports to the

United Kingdom. In 1951 Italian exports of fruit and vegetables to the United Kingdom were lire 16.8 billion; in 1952 owing to the severe import restrictions these exports fell to lire 8.7 billion. It appeared that the products under consideration for duty increase covered nearly the whole of the range of Italian fruit and vegetable exports to the United Kingdom. The problem was so vast that it affected not only the possibility of a revival of Italian trade with the United Kingdom but also threatened the proper functioning of the European Payments Union with respect to Italy. Italy's credit of 250 million EPU units had, principally because of the monthly deficit with the United Kingdom, been reduced to a debit of about 70 million units and the position did not appear to improve. The Italian balance-of-payment position with regard to the rest of the world was no better, and one of the essential factors for its improvement was that their EPU position should be redressed. For this purpose, a substantial volume of fruit and vegetable exports to the United Kingdom was indispensable. In this light it was irrelevant that the waiver should operate in the first stage only for products on which the duty was unbound.

It was the opinion of his Government that any waiver of the provisions of Article I should be limited in its extent and in time, otherwise it would actually amount to an amendment of Article I itself. The representative of the United Kingdom had said that they were asking for a purely technical waiver of the principles of Article I, but bearing in mind the complex procedure of consultation the fact remained that even in cases where a diversion of trade to the Commonwealth could be ascertained, the procedure itself did not in every case offer the guarantee that action by the United Kingdom could be prevented. He felt that they were confronted not so much with a waiver but with an actual amendment of a fundamental principle of the General Agreement. This principle, he wished to emphasize, entailed an important obligation for the United Kingdom which had been taken into account by the Italian delegation when they conducted tariff negotiations with the United Kingdom at Annecy. In conclusion the Italian delegation felt that the British proposal could not be considered in its present form if the essence and the utility of the General Agreement were to be preserved. He expressed the hope that the United Kingdom Government would consider the possibility of deferring consideration of the matter to the end of this transitional period when the whole of the General Agreement could be re-examined.

Mr. PAPATSONIS (Greece) said that his Government had examined the United Kingdom proposal with sympathy and understanding, but he shared the disquiet of the representatives of Denmark and the Netherlands and others. His delegation had decided to study closely the situation as it evolved in the course of the meetings of the working party, which he expected would be appointed, after which it would formulate its final attitude.

M. DONNE (France) said that the representative of the United Kingdom had illustrated the problem confronting them and suggested a method for its solution. His Government found itself in a similar position to that of the United Kingdom insofar as every reduction in a most-favoured-nation rate of duty automatically reduced the margin of preference granted to producers in overseas territories. The difficulty of his Government and for the majority of European governments was that the waiver would result in a greater measure of protection. The extent of this increase could not be judged as the list of products concerned had not been made known, but an examination of the products bound in the United Kingdom schedule and of the export products of the Commonwealth had led his delegation to conclude that tariff increases could fall upon products exported in substantial quantities by France to the United Kingdom.

The objections of principle which could be made to the United Kingdom proposal were two-fold. In the first place, their request ran counter to a fundamental aim of the Agreement which was the reduction of tariffs, an aim to which were directed the Pfimlin Plan and the Green Pool. Secondly, as had already been pointed out by other representatives, account had been taken of the special situation which the United Kingdom found itself because of Article I. If the proposal were accepted in the form presented it would - even in the absence of any diversion of trade in favour of the Commonwealth - constitute a concession affecting the balance achieved in previous multilateral tariff conferences. While his Government understood the difficulties of the United Kingdom they would have liked the United Kingdom to agree to the extension of the status quo and to await the review of the Agreement as regards tariff matters. Several delegates had proposed the appointment of a working party and he agreed with the proposal. The discussions in such a working party would enable his delegation to define their position.

Mr. de S. JAYARATNE (Ceylon) said that the contracting parties were being asked to agree to a violation of one of the cardinal principles of the Agreement which aimed at the elimination of all discrimination in tariff treatment. Looked at from a narrow and textual point of view the proposal could be condemned as being inconsistent with the letter of the Agreement. In the view of his Government, however, the contracting parties should ask themselves whether the proposal was a reasonable one and whether it threatened the purposes and the spirit of the Agreement, even though it might constitute a breach of the letter. They felt that if the General Agreement were to survive as a dynamic instrument, it must show that it was capable of taking into account special cases, which were perhaps not envisaged when the Agreement was drafted, while ensuring that the fundamental aims of the Agreement were not dropped. Any attempt to give too rigid a character to the articles in the Agreement would risk its disruption by the pressures arising when countries in different stages of economic development and with varying problems, tried to work together in an international body such as the CONTRACTING PARTIES. The Agreement should be a vital and growing instrument adaptable to problems and situations as they arise. His Government supported the proposal. The procedural suggestions made by the United Kingdom ensured that any general waiver would not be used to harm, by unilateral action, the interests of the other contracting parties.

Mr. SAHLIN (Sweden) recalled that in speaking of the assured life of the schedules at the previous meeting, he had stressed the importance of tariff stability. It was essential that only the smallest possible modifications should be made to the Agreement to avoid the risk that, if this course were not followed, a general unravelling of concessions might ensue. For this reason the United Kingdom's proposal for a waiver of the provisions of one of the most important Articles of the Agreement, at this delicate time in the life of the Agreement caused them much concern. He agreed that circumstances might arise in which a country might find it imperative to seek exceptions from some provision of the Agreement and in the past the CONTRACTING PARTIES had always examined any such requests with sympathy. This proposal would have caused them much less concern if it had been of a more limited character and its implications specified in greater detail. They considered it therefore desirable that it be examined with the greatest care and he agreed with the suggestion previously made that a working party be appointed. His delegation would formulate a precise attitude at a later stage.

Mr. HAGEMANN (Germany) said his delegation realised that the United Kingdom's tariff autonomy was severely restricted by Article I. This Article very rightly aimed at mitigating the privileges derived by certain countries from preferences and the discrimination against countries finding themselves outside preferential areas. German export trade was frequently placed at a disadvantage because of Commonwealth preferential treatment in particular as regards industrial products. For this reason his delegation could not agree to any general relaxation of obligations under Article I. The fact had however to be recognised that the provisions of Article I might in the long run prove to be too rigid for the United Kingdom. The German delegation therefore felt that, if an attempt was made to find a solution which would enable the United Kingdom to depart, in certain isolated cases and in certain circumstances, from the provisions of Article I, they would not refuse their collaboration.

Mr. WAUGH (United States) stated that his delegation was sympathetic to the points of view expressed both by the proponents of the waiver and by those who opposed it. The United States has traditionally supported the principle of most-favoured-nation treatment and they would share the concern expressed by others over any breach of this principle. As they understood the United Kingdom proposal, it was not the intention to use the proposed waiver to increase tariff preferences which would result in the diversion of trade. A technical adjustment of the letter of Article I appeared to be involved rather than a departure from its spirit. Accordingly, in view of the very real political difficulties confronting the United Kingdom and on the clear understanding that the waiver would be so administered as to avoid diversion of trade, the United States had no objection to the proposed waiver. If contracting parties felt that a solution could be found on this basis, he agreed that the subject be referred to a working party for further study.

Mr. THORNEYCROFT (United Kingdom) thanked the contracting parties for the attention they had given to a complex and difficult question. He thanked them for recognizing, even at this stage, that the United Kingdom had been at great pains to seek to achieve their aim without damage to other contracting parties. There appeared to be some misunderstanding in the previous statements which he would wish to clear up. The representative of Denmark had committed himself to the view that the intentions of the United Kingdom ran counter to the basic aims of the General Agreement. This was not so. There was no violation of the spirit of the General Agreement in altering the rates on unbound items. They could not accept an attempt to bind all the items in their schedules. Preferences had been mentioned by the representatives of Denmark, the Netherlands, Turkey and others. This was a merely theoretical point. No advantage could accrue to the Netherlands by the imposition by the United Kingdom of an import duty on non-existent Indian tomatoes, nor would it matter in any way if after raising the most-favoured-nation rate on such tomatoes the United Kingdom did not increase the preferential duty. In reply to the representative of Italy, he stated that the waiver could not affect any tariff negotiations which had ever taken place between Italy and the United Kingdom. They had no intention, nor had they the power, to move any item on which Italy and the United Kingdom had negotiated. He wished to thank the representative of India who had come to the conclusion that it was to the general advantage to accede to the United Kingdom request. He also thanked the representative of Ceylon who had said that no basic objective of the Agreement would be undermined.

Others had recognized the fact that if the waiver were granted some rates of duty would be raised. He asked the contracting parties whether it was wrong that the United Kingdom should raise duties on items for which no commitment had been undertaken. He wished to thank the representative of Germany for his objective and co-operative attitude and the representative of the United States who had adopted the same general broad approach. The United States could not in this matter be accused of bias. They had formed their judgment with a view to the long-term interest of the General Agreement. If the United Kingdom request were not granted, opinion in the United Kingdom would, rightly or wrongly, be that a narrow point of doctrine had prevailed. He had consistently defended the General Agreement and was prepared to continue to do so, but would not be able to defend such a decision of the CONTRACTING PARTIES and would be expected to find some other way out of the difficulties. He was sure no contracting party would like to be placed in such a dilemma. As to the time factor: while recognizing that his proposal raised complex issues, he said that his task would be greatly eased if he could show that the General Agreement was capable of coping with such a problem. He hoped he could take action before the end of the year.

Mr. MACHADO (Brazil) pointed out that the proposal of the United Kingdom involved a re-interpretation of Article I. He wondered why the difficulties of the United Kingdom should be considered separately by the CONTRACTING PARTIES

while the difficulties experienced by the other contracting parties, were referred to the working party already appointed. However sympathetic his delegation was to the proposals of the United Kingdom, they were of the opinion that the terms of reference of the working party should include a more comprehensive study of all the difficulties.

Mr. HUSAIN (Pakistan) said he had not yet received instructions from his Government and therefore would limit himself to an objective analysis of the case before them. The proposal by the United Kingdom appeared on the face of it to be a practical suggestion for overcoming certain difficulties. It appeared, however, that certain delegations attached importance to the principle involved, although opinions seemed to vary about the exact nature of the principle. Generally speaking it seemed that many contracting parties did not want a weakening of the provisions of the GATT relating to preferences. The different points of view in this matter required considerable attention and he thought that a working party would be the most appropriate body to carry out an examination. A formula could no doubt result to which the United Kingdom might agree and which would remove the fears of other contracting parties.

The CHAIRMAN, in closing the discussion, said that the debate had provided support and opposition to the United Kingdom proposal. The arguments advanced by those who opposed were both of principle and practice. With regard to the point of procedure raised by the representative of Brazil, he said that the question was not linked to the rebinding of the bound items, but related only to the provisions of Article I in so far as they affected unbound United Kingdom duties. He did not think it would be appropriate that this matter should be dealt with by a working party such as the one previously established to consider the extension of the assured life of the schedules. He therefore proposed the appointment of a working party composed as follows:

Chairman: M. M. Suetens (Belgium)

Brazil	Indonesia
Ceylon	Italy
Denmark	New Zealand
France	United Kingdom
Greece	United States

and with the following terms of reference:

To examine the request of the United Kingdom Government for a waiver of certain obligations under the provisions of Article I and to submit recommendations to the CONTRACTING PARTIES.

The meeting adjourned at 6 p.m.

ANNEX

The delegate of Indonesia, Mr. Helmi, was unable to state the views of his Government in the course of the discussion on the difficulties arising out of the application of Article I. He therefore read the following statement before the Working Party to which the study of the proposal has been referred. In accordance with Mr. Helmi's request for distribution to the contracting parties, his statement is reproduced hereunder:

" My delegation would like to make some comments on document L/115. In the first instance, our delegation would like to express our appreciation for the great pains taken by the United Kingdom delegation in the elaboration of this memorandum, which has been compiled very lucidly, so that - in spite of the intricate nature of the problem - it facilitated a great deal the study and the understanding of the matter involved.

" The Indonesian delegation can easily perceive the far-reaching meaning of the Preferential System established in 1934, by which the interest of the United Kingdom and the other members of the Commonwealth was preserved. By this system the mutual economic interest of the Commonwealth countries has been secured, an accomplishment widely appreciated at that time, - inside and outside of the Commonwealth -, that is to say at a period when bilateral treaties in those prewar days were rather the usual practice and tariff barriers were considered normal and even justified. Years have lapsed, and these preferential duties have taken deep root and have become a tradition in the Commonwealth, so that it is easy for our delegation to understand that any changes would require a modification of the tariff legislation of the United Kingdom, for which Parliamentary sanction could perhaps not easily be obtained. Yet, on the other hand, it is undeniable that the postwar economic world is showing the tendency to substitute the bilateral system by the more convenient multilateral system on a world-wide basis. My delegation takes pleasure in reminding delegates that the United States of America, emerging from World War II as the leading world power and as the champion of the struggle against misery, was at the same time the first country which had the honour to realize that the era of bilateral treaties was nearing its end and giving way to a period of multilateral international arrangements. Fully aware of the necessity to compromise sectional with world-wide interests, the United States, as early as November 1945, was putting through a proposal to several governments for expansion of world trade and employment. One of the aims of this proposal was that the governments should enter into arrangements for the elimination of tariff preferences, which were considered as hampering world trade. The emphasis should be on the application of the unconditional most-favoured-nation clause in international trade agreements.

" The 1947 conference of Geneva did not succeed in realizing the original United States intentions. In spite of sincere and untiring efforts on the part of many delegates to put an end to preferential systems, the maximum result which could be reached at that time was that the preferential duties would not have to be abolished, but that the margins of preference might not be increased. This achievement at Geneva, being considered as a milestone in the history of GATT, it was not surprising that at Havana and at subsequent conferences of the GATT and especially in the tariff negotiations, the aim of entirely eliminating preferential arrangements was always predominant though not necessarily stated. In this sense my delegation regrets to come to the conclusion that the desire, as put forward by the United Kingdom's delegation in L/115, is against the very spirit and the principles of the GATT and therefore is not in a position to support it. My delegation regrets further to have to state that Indonesia has not been spared disadvantages due to the application of imperial preferences, as for instance in the case of tea and copra. Besides, it cannot be foreseen what future measures might be taken and what effects they might have on the contracting parties in general and on Indonesia in particular. My delegation is therefore forced to come to the conclusion that it is impossible for us to agree to the granting of a general waiver, but - I say this in no spirit of animosity - to us the most suitable solution would appear to be the granting of waivers for individual cases, as the occasion may arise."

