

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

SR.8/20

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CONTRACTING PARTIES
Eighth Session

SUMMARY RECORD OF THE TWENTIETH MEETING

Held at the Palais des Nations, Geneva,
on Saturday, 24 October 1953 at 10.30 a.m.

Chairman: Mr. Johan MELANDER (Norway)

- Subjects discussed:
1. Accession of Japan - Statement by the Representative of Burma
 2. Brazilian Compensatory Concessions - Adoption of Resolution
 3. Brazilian Internal Taxes - Adoption of Resolution
 4. Belgian Family Allowances - Report by the Delegation of Belgium
 5. Report of Working Party on Balance-of-Payment Import Restrictions
 6. Report of Working Party on Schedules and Approval of Third Protocol of Rectifications
 7. Report of Working Party on Australian Treatment of Products of Papua - New Guinea
 8. Arrangements for a Review of the Agreement - Adoption of Resolution

1. Accession of Japan - Statement by the Representative of Burma

Mr. U SAW OHN TIN (Burma) reported that he had received a telegram from his Government stating that they had decided to support the application of Japan for participation in the Agreement. He consequently wished to record a vote in favour of the Decision which had been adopted at the previous meeting.

2. Brazilian Compensatory Concessions - Adoption of Resolution (L/167)

Mr. MACHADO (Brazil) said that his delegation was prepared to vote in favour of the Resolution because his Government recognizes that action was required to bring into effect the concessions agreed upon in 1949.

Mr. BROWN (United States) expressed his appreciation of the attitude taken by the Brazilian delegation and Mr. SANDERS (United Kingdom) associated himself with these remarks.

The Resolution urging the Government of Brazil to give effect to those concessions without delay and to report to the CONTRACTING PARTIES was adopted.

3. Brazilian Internal Taxes (L/160 and Add.1) - Adoption of Resolution (L/166)

Mr. MACHADO (Brazil) stated that he was prepared to support the proposed resolutions but repeated the suggestion his delegation had made at an earlier meeting (SR.8/7) that the Brazilian Government, through the French Embassy in Rio, might negotiate compensatory concessions.

M. LECUYER (France) thanked the delegate for Brazil for his statement. He had never doubted the goodwill of the Brazilian delegation or of their Government. He hoped the CONTRACTING PARTIES would adopt the resolution proposed in L/166 urging the Government of Brazil to take the steps necessary to amend the existing laws so as to bring them into conformity with the General Agreement and to report to the CONTRACTING PARTIES.

The Resolution was adopted.

4. Belgian Family Allowances - Report by the Delegation of Belgium

Mr. SUSTIENS (Belgium) stated that on 24 September, Mr. Querton of his delegation had announced the intention of their Government to table a Bill which would meet the desire of those contracting parties which had lodged the complaint. The Bill would eliminate any practices which were not consistent with the General Agreement. This Bill had been passed by the Cabinet and had now been submitted to the Council of State, which was the normal and mandatory practice, and when that body had given its views it would be tabled in Parliament. He added by way of explanation that the role of the Council of State in Belgium was confined in such cases to determining whether a Bill was or was not consistent with the Constitution; in the present case there could be no doubt as to its reply. The Bill provided for the abrogation of Articles 130 to 139 of the Royal Decree co-ordinating the Act of 4 August 1930 relating to family allowances. Article 130 governed all the others and was the one which established the levy of 7½ per cent, in favour of the National Compensation Fund, under certain conditions, on goods purchased abroad by the State, the provinces or municipalities. The abolition of that levy would satisfy the demands of the complainants. The other Articles referred to the application of the measure. He hoped the CONTRACTING PARTIES would appreciate the effort made by his Government which was the maximum attainable at present.

Mr. SEIDENFADEN (Denmark) said the action of the Belgian Government was an important step forward in this matter. In these circumstances he suggested that

the statement by the representative of Belgium be recorded in the Summary Record and that a request be made to the Belgian Government to report on further developments to the CONTRACTING PARTIES as soon as possible.

Mr. THAGAARD (Norway), Mr. NOTARANGELI (Italy), Mr. HAGEMANN (Germany) and Mr. SVEC (Czechoslovakia) expressed their satisfaction with the statement by the representative of Belgium and asked that the question be retained on the Agenda of the CONTRACTING PARTIES.

The CHAIRMAN said the CONTRACTING PARTIES would note with satisfaction that the Belgian Government had taken steps to remove the cause of the complaint.

It was decided to retain the item on the Agenda of the CONTRACTING PARTIES.

5. Report of Working Party on Balance-of-Payment Import Restrictions (L/164)

Mr. SEN (India), presenting the report, said the Working Party had noted the recent action by the Netherlands Government in relaxing its dollar import restrictions and the announcement by the Government of South Africa to eliminate discrimination in its import restrictions from the beginning of 1954. On the basis of the data supplied by the International Monetary Fund the Working Party had carried out consultations with eight governments. The results of these consultations were reported in the annex to the report and the conclusions drawn by the Working Party from the consultations were given at the end of Section A of the report. In the course of the consultations, substantial assistance was received from the Fund, both through the documentation it supplied and through the participation of its representatives in the discussions. The consultations were carried out in a friendly atmosphere and provided an opportunity for a free exchange of views. Section B contained the text of a report on the discriminatory application of restrictions for adoption by the CONTRACTING PARTIES as their 1953 report required by Article XIV:1(g). Section C set out the Working Party's recommendations regarding the reports and consultations in 1954. In this connection a question had been raised regarding the exact meaning of question 3 of the questionnaire in L/69 and the Working Party had agreed that in that question the word "shares" denoted the shares as allocated among supplying countries. In submitting the report for adoption, Mr. Sen called attention to a typographic error in paragraph 13 where the reference to "paragraph 5" should be changed to "paragraph 6". He reminded the contracting parties applying discriminatory restrictions to notify the secretariat before their delegations' departure from Geneva of any corrections or modifications which they might wish to make in the country notes drafted by the secretariat and circulated in W.8/25.

The CONTRACTING PARTIES, in accordance with the recommendation in paragraph 13 of the report, took note of the conclusion of the consultations with the eight governments under Article XII and/or XIV, and recorded that the obligation to consult of all the contracting parties mentioned in paragraph 2 of the report had been fulfilled.

The CONTRACTING PARTIES agreed to adopt the text contained in Section B as their 1953 report required by Article XIV:1(g).

The CONTRACTING PARTIES approved the recommended procedures set forth in paragraphs 22 and 23 for the preparation of their 1954 report and for the conduct of the 1954 consultations under Article XIV:1(g).

The report as a whole was approved.

6. Report of Working Party on Schedules (G/62) and Approval of Third Protocol of Rectifications and Modifications (G/63)

Mr. DUFOURG (France), Chairman of the Working Party, introduced the report. The rectifications submitted by several contracting parties had been examined, approved and incorporated in the Third Protocol of Rectifications and Modifications which was submitted for approval. A complicated question which had required the attention of the Working Party was that of the adjustment of specific duties by the Czechoslovak Government following upon their revaluation of the Czechoslovak currency. The difficulties arose out of the fact that Article II:6(a) was so drafted as to take account of currency devaluations, but not of upward revaluations. It was, therefore, considered by the Working Party that the best course to follow would be to recommend to the CONTRACTING PARTIES that no change be made in the legal position, leaving the specific rates in Schedule X unaltered as expressed in terms of the value of the Czechoslovak currency at the date of the Agreement. The Working Party felt therefore that it would be sufficient for the CONTRACTING PARTIES to take note of the adjustments made by adopting the text which appeared in Annex A to the Report.

Difficulties were also encountered in the matter of the adjustment of specific duties following the devaluation of the Greek currency. After careful consideration of the problems involved the Working Party had prepared a draft decision, set out in Annex B to the Report, to take account of the adjustments made and of those which the Greek Government had notified (L/113/Add.2) it was their intention to make.

Mr. Dufourg further pointed out that the Note at the end of Schedule XXV had proved incapable of providing for satisfactory adjustments in duties to take account of changes in the value of the currency and that the Working Party had prepared an amended text which was incorporated in the Third Protocol of Rectifications and Modifications. In this connection he wished to call attention to a point which had been omitted in the report but on which the Working Party wished the CONTRACTING PARTIES to take action. It was proposed that the Greek Government, pending the entry into force of the Third Protocol, should be authorized to make use, if necessary, of the Note, in its amended form, if, in the 30 days following the adoption of the report, no objections were raised by any contracting party. With regard to the Greek proposal to impose ad valorem minima for certain specific rates, the Working Party recommended that the CONTRACTING PARTIES

should authorize the Greek Government to enter into consultations and negotiations with contracting parties having an interest in those items.

Mr. PAPATZONIS (Greece) expressed the agreement of his delegation with the conclusions of the Working Party.

Mr. BROWN (United States) said that as the CONTRACTING PARTIES knew, problems related to some of the matters which had been discussed in the Working Party were being considered by the International Monetary Fund. He was sure that all the contracting parties would agree that it went without saying that any action which the CONTRACTING PARTIES might take would be entirely without prejudice to any positions which might be taken in these discussions in the Monetary Fund.

He would also, for reasons which he was sure were clear to all the contracting parties, request that the record show that his delegation took no part in the decisions of the Working Party or of the CONTRACTING PARTIES insofar as they dealt with Schedule K.

Mr. MACHADO (Brazil) referring to certain difficulties of interpretation of the text of the Agreement which had appeared in the course of the discussions of the Working Party, said that the forthcoming review of the Agreement should be taken as an opportunity to eliminate any such doubts.

Annex A to the report relating to the Czechoslovak adjustments and the Decision in Annex B relating to the Greek adjustments were adopted. With regard to Annex B it was also agreed that the Greek Government might make use of the Note to Schedule XXV, as amended in the Third Protocol of Rectifications and Modifications, after 30 days from the date of the adoption of the report if no objections were received from any contracting party.

The CONTRACTING PARTIES agreed to authorize the Greek Government to enter into consultations and negotiations with interested parties in respect of the imposition of ad valorem minima to certain specific duties as notified in document L/113/Add.2.

The CONTRACTING PARTIES approved the Third Protocol of Rectifications and Modifications which would be opened for signature that afternoon.

The Report as a whole was adopted.

7. Report of Working Party on Australian Treatment of Products of Papua - New Guinea (G/58)

Mr. ISIK (Turkey), Chairman of the Working Party, said that careful examination had been given to the economic situation of the Territory. A population of some million and a half lived in primitive conditions and measures were necessary to raise their social, cultural and economic conditions. It had been shown that

the difficulties were great, in particular because of the total absence of an internal market and the consequent difficulty which was found in inducing investment in productive enterprise. To stimulate investment Australia wished to provide an assurance that certain products produced in the Territory of Papua - New Guinea would find a market in Australia. In view of these explanations and of the obligations contracted by the Government of Australia with the United Nations under the Trusteeship Agreement for the Territory of New Guinea, the Working Party felt that assistance should be given to the Government of Australia in order to enable it to achieve its aims.

The Working Party had then proceeded to examine the most appropriate means of meeting the Australian request. Several alternatives had been proposed. The suggestion that the Territory be incorporated in the Australian Customs Area was not found satisfactory because it would permit Australian products freely to enter into the Territory, a fact which would not serve the economic interests of the inhabitants. The possibility of a "one-way free-trade area" was also investigated. This solution was envisaged by the Australians as implying their right to select the products of the Territory which might be granted duty-free entry into Australia. Others felt that on the analogy of Article XXIV of the Agreement the Australian Government would be obliged to grant free entry to "substantially all" the products of the Territory, a solution which was not deemed satisfactory by the Australian delegation on the grounds that such widespread facilities would only result in a dispersal of efforts in a variety of enterprises. Inordinate claims on the scarce resources of the Territory would thereby be made with unsatisfactory economic consequences. It appeared therefore to the Working Party that the Australian request could only be met by a decision of the CONTRACTING PARTIES under Article XXV:5(a), waiving the provisions of paragraphs 1 and 4(b) of Article I. It was felt by various members of the Working Party that the waiver should apply only to certain specified products, but the Australian representative pointed out that they were not in a position to submit such a list because at the present stage they did not themselves know what products were capable of economic exploitation. They could only give the assurance that the waiver would be used exclusively to stimulate the economic development of the Territory without causing any substantial injury to the interests of other contracting parties. The best solution, therefore, seemed to be a waiver without any limitation in respect of the products which might benefit therefrom on the condition that proper safeguards of the interests of other contracting parties were introduced. These safeguards appeared in paragraphs 2, 3 and 4 of the draft decision.

Mr. Isik assured the CONTRACTING PARTIES that the Working Party had given serious consideration to the possible consequences of the waiver on the economic development of the Territory of Papua - New Guinea and on the trade of contracting parties. The understanding and objectivity of the members of the Working Party had considerably facilitated the study of the Australian request. He also paid tribute to the spirit of compromise which the Australian Delegation had shown in the discussions, without which a satisfactory solution would have been difficult to reach. He hoped that the report and the draft decision would receive the approval of the CONTRACTING PARTIES, and that the decision which the CONTRACTING

PARTIES were being called upon to take would contribute to the well-being of the population of the Territory.

Dr. HELMI (Indonesia) said he had been instructed to abstain from voting on any waiver which the CONTRACTING PARTIES proposed to grant to the Government of Australia. While realizing that the trade of the territory of Papua - New Guinea with Australia was at present negligible, his Government were thinking of possible future developments. Indonesian exports might not be directly affected; their main concern was that departures from the spirit of the Agreement should always be avoided.

Mr. VARGAS GOMEZ (Cuba) said he would abstain from voting because he lacked instructions from his Government.

Mr. MACHADO (Brazil) supported the proposed waiver. It was in his view important that the CONTRACTING PARTIES give all their support to measures of economic development of backward territories. He suggested that a letter be sent to the Chairman of the Trusteeship Council to inform him of the waiver granted to the Government of Australia.

The Decision granting a waiver to the Government of Australia was adopted by 28 votes in favour and none against.

Mr. U SAW OHN TIN (Burma) said he had abstained from voting because he had received no instructions from his Government.

Mr. CLARKE (Australia) expressed his appreciation of the action of the CONTRACTING PARTIES in deciding in favour of the waiver. This was an outstanding example of the liberal attitude shown by the CONTRACTING PARTIES in dealing with difficult problems.

The CHAIRMAN, in reply to Mr. Machado, said that the United Nations were represented at meetings of the CONTRACTING PARTIES and their delegation would, without doubt, bring the decision of the CONTRACTING PARTIES to the attention of the Chairman of the Trusteeship Council.

8. Arrangements for a Review of the Agreement - Adoption of Resolution
(L/171 and Corr.1)

The EXECUTIVE SECRETARY drew attention to a few minor changes which had been made in the draft resolution as compared with the previous text (Sec/116/53) which had been discussed at an earlier meeting (SR.8/16). The only change proposed by delegations was that submitted by Czechoslovakia.

Mr. SVEC (Czechoslovakia) said that the alterations proposed by his delegation were based on the facts to which he had referred in his statement at the opening meeting of the Session and in his comments in the earlier discussion on the review of the GATT. He had explained that they could not subscribe to a

recognition, as it stood under paragraph b) of the draft, that substantial progress had been made in the restoration of normal trading conditions, since just the reverse was the fact, namely, that since the date of the Agreement world trading conditions had worsened due to the policy of discrimination disrupting the traditional commercial relations between East and West. Those were the reasons why they proposed the alterations indicated in document L/171/Corr.1, namely to delete paragraph b) of the preamble and to add to paragraph c) the words "and by policy of discrimination disrupting traditional commercial relations between East and West".

M. PHILIP (France) could not share the views of the representative of Czechoslovakia. Opinions might differ on the results achieved under the General Agreement, but, for his part, he felt that there had been distinct progress in improving trade, although the Agreement had perhaps not fulfilled all the hopes entertained in regard to it. It would be dangerous to add to the preamble concepts which were contrary to the traditions of the CONTRACTING PARTIES. In any case the Czechoslovak point might be taken to be covered in the draft decision by sub-paragraph c) which referred to high tariff restrictions and to the "widespread application of other restrictions". It would be inadvisable to appear to pass judgment upon each other and he considered the text suggested was adequate and suited to the circumstances.

Mr. GARCIA OLDINI (Chile) said that the intention in reviewing the General Agreement was to adjust it to present-day conditions in the light of experience. The first two sub-paragraphs of the draft decision appeared, however, to indicate that their experience had been unflinching good in the past years. Doubtless the text referred to barriers and restrictions but, if it were to provide guidance to the CONTRACTING PARTIES in their review of the Agreement, it should make more explicit mention of the difficulties which had been encountered in the past. It should also be noted that the Agreement had been drafted with different aims in view. At that time they had thought in terms of a prompt establishment of the International Trade Organization, and if it had been known that the ITO would not come into existence the provisions of the Agreement would certainly have been different. Confronted with realities, some provisions of the Agreement had shown themselves to be inadequate or too rigid. It followed that some provisions should be reviewed, but the CONTRACTING PARTIES should also aim at an adjustment of the Agreement in accordance with the requirements of reality. They should consider enlarging its scope by including in the text provisions of the Havana Charter. It was, therefore, his opinion that the preamble of the decision should contain the idea that in view of past experience the CONTRACTING PARTIES should provide for a readjustment of the provisions of the Agreement to bring it into conformity with the functions which it would be called upon to perform.

The CHAIRMAN remarked that the solution suggested by the delegate for Chile might prejudice the issue. It was for the CONTRACTING PARTIES to undertake the review and then determine what amendments were necessary.

Mr. MACHADO (Brazil) agreed with the delegate for Chile that the preamble appeared to render any review superfluous. It should be remembered that the organization envisaged in 1947 had not come into being, and that therefore readjustments were necessary. The Agreement had undoubtedly rendered great service in the post-war period. Brazil had been convinced of that, and wished, by reviewing the Agreement in 1954, to prepare it for greater service. He felt however that the Summary Records of the meeting would provide guidance when the time came to consider a revision.

Mr. CLARK (Australia) felt the draft decision was too limiting. The wording should be more general to take account of the many other considerations which might have actuated governments in asking for a review of the Agreement. He suggested the preamble be replaced by the following: "recognizing the desire of many contracting parties that a review of the General Agreement should be undertaken at an early date, the CONTRACTING PARTIES DECIDE".

Mr. GARCIA OLDINI (Chile) reverting to the Chairman's remarks, suggested that the formula "RECOGNIZING THAT it would be appropriate to carry out a review of the results achieved by the operation of the Agreement ..." would in no way prejudice the results of the review.

Mr. AHMAD (Pakistan) supported the suggestion of the delegate for Australia. The present preamble did not take into account, for instance, the stage of economic development of the various contracting parties. The wording should, therefore, be on general lines.

Mr. PRESS (New Zealand) agreed with the view of the delegate for Australia.

Mr. BROWN (United States) said that the wording should reflect the satisfaction that many contracting parties felt in the progress which had been made. The CONTRACTING PARTIES had already expressed the view that what was desired was improvement of something which had proven its usefulness.

Mr. RIEU (Norway) agreed with the remarks of the delegates for Australia and Pakistan.

Mr. WILGESS (Canada) felt it would be unfortunate if they could not agree on a preamble indicating that very substantial progress had been achieved. If they adopted the Australian suggestion they would be giving the impression that they were all dissatisfied with the Agreement as it stood. The Agreement itself envisaged the possibility of a review. A review was necessary not only to meet the changes which had occurred but also because many governments were reviewing their commercial policy.

The CHAIRMAN said that the differences of opinion were not as great as they appeared. It was the general view that the Agreement had been a useful instrument and this was recognized in the draft. On the other hand, not all governments felt that the Agreement had achieved all the objectives envisaged, and this was also recognized. He suggested that to meet the points raised by some delegates a further sub-paragraph could be added as follows: "taking into account the progress made, and the wish among the various contracting parties for a review of the Agreement, with a view to attaining its objectives ...".

Mr. AHMAD (Pakistan) wished the text to focus attention on the question of distribution of the benefits of the Agreement equally among the different economies.

Mr. SVEC (Czechoslovakia) thanked the French representative for his interpretation of paragraph c), namely, that the point of view expressed in his proposed alteration was, in fact, covered by the text of paragraph c) referring to widespread application of other restrictions. Having this in mind and with this understanding of paragraph c) he would not press for the second alteration proposed by his delegation. As far as paragraph b) was concerned, they could not agree with the recognition mentioned herein and in case of voting they would propose that these sub-paragraphs be noted upon separately, section by section, so that they might abstain from voting on that paragraph.

Mr. GARCIA OLDINI (Chile) agreed that the preamble remain unchanged and that it be interpreted according to the Summary Records of the meeting.

The CHAIRMAN noted that the delegate for Czechoslovakia abstained from voting in regard to sub-paragraph b) of the draft decision. With that exception the Decision was adopted.

The meeting rose at 1 p.m.

