

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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Ninth Session

SUMMARY RECORD OF THE SEVENTH MEETING

Held at the Palais des Nations, Geneva,
on Friday, 5 November 1954, at 3 p.m.

Chairman: Mr. L. Dana WILGRISS (Canada)

- Subjects discussed:
1. Security Arrangements
 2. Interim Report of Working Party 1 on Article XVIII - Applications
 3. Brazilian Compensatory Concessions
 4. Swedish Anti-dumping Duties
 5. Turkish Import Taxes and Export Bonuses
 6. Nomination of the Panel on Complaints
 7. Greek Luxury Tax and Tariff Changes
 8. United States Restrictions on Dairy Products
 9. General Proposals for the Arrangements of the Review Discussions

1. Security Arrangements

The CHAIRMAN called the attention of delegations to the Note on Security Arrangements (NINE/6) and requested that it be carefully studied and brought to the attention of all members of their staffs.

2. Interim Report of Working Party 1 on Article XVIII - Applications (L/269)

Mr. GOERTZ (Austria), Chairman of Working Party 1, referred to the report of the Working Party (L/269) and called attention to the changes in the Ceylon request to the effect that, except in the case of cotton banians for which an extension of two years was asked, only the additional time of which advantage under the original release had not been taken was being requested. The request relating to towels and towelling was withdrawn.

The Working Party had considered the portion of Ceylon's application (L/230/Rev.1) which involved the extension of releases for plywood chests and glassware, and had agreed that the request was eligible for consideration under Article XVIII, and that the provisions of paragraph 5 were applicable.

The CONTRACTING PARTIES adopted the report of the Working Party, including the recommendation contained therein that any contracting party which now considered itself materially affected by the measures with respect to plywood chests and glassware should so notify the Working Party, not later than 15 November 1954.

3. Brazilian Compensatory Concessions

The CHAIRMAN recalled that at the Third Session the Government of Brazil was authorized to renegotiate certain items in the Brazilian Schedule with the United Kingdom and the United States. Release from the Geneva bindings had been obtained but the compensatory concessions promised by Brazil had not been made effective. The resolution adopted at the Eighth Session (EISD, Second Supplement, page 24) urged the Government of Brazil to give effect to these concessions without delay and to report on action taken.

Mr. VALLADAO (Brazil) said that he had discussed with the delegations of the United States and the United Kingdom the steps taken with regard to the compensatory concessions granted in 1949. The Brazilian delegate had explained at an earlier meeting his Government's intention to draw up a new customs tariff. It envisaged solving this problem within the framework of the new tariff, as well as the problem of internal taxes. Mr. Valladao was aware that this was not replying to the complaint, but wished to explain the situation as it existed. He remarked that the position of Brazil, in the matter of complaints was not unique. The number of complaints increased with each session and, if the Agreement continued in its present form, would soon occupy the greater part of the Agenda. It was apparent that the flexibility with which the rules of the Agreement were applied had reached its maximum, and that it was not a sufficiently flexible instrument to meet the problems of different countries, especially of those in the process of development. Mr. Valladao thought that, even though the Agreement must now be applied in its existing form, the CONTRACTING PARTIES should not completely ignore possible future changes.

Brazil in this matter continued to consider the complaints by the United States and the United Kingdom justified, and the two countries to be entitled to compensation. Perhaps the matter might be discussed between the delegations concerned during the present Session.

Mr. WEISS (United States), although grateful for the acceptance of responsibility and intention to take action of the Brazilian Government, emphasized the long outstanding nature of this case. Brazil had obtained a release from the bindings on certain items in 1948, which was conditional upon the negotiation of compensatory concessions. Negotiations had taken place, compensatory concessions had been agreed upon, but many had not yet been put into effect. The desirable solution would be for Brazil to make them effective and he hoped that the CONTRACTING PARTIES would adopt a decision recommending that they do so. Taking into account, however, the time which had elapsed, his delegation felt that further action by the CONTRACTING PARTIES was desirable. The United States delegation was prepared to discuss the matter further with the Brazilian

delegation if it so desired, but he hoped that the CONTRACTING PARTIES' decision, in addition to urging the Brazilian Government to put the compensatory concessions into effect, would also provide that, if such action had not been taken by perhaps six months after the date of the decision, the affected countries be authorized to suspend compensatory concessions with respect to Brazil. His Government proposed to request permission to suspend the concession on brazil nuts. Naturally it hoped that the occasion would not arise.

Mr. SINCLAIR (United Kingdom) associated himself with the views expressed by the United States delegate. He appreciated that if the Government of Brazil were planning to amend the whole structure of their tariff, they would wish to use the opportunity to deal with outstanding commitments. Nevertheless, this clear obligation of Brazil had not been dealt with. He supported the proposal that the United States be authorized, in the event no satisfaction were obtained, to make the withdrawal mentioned by the United States delegate. The United Kingdom had no concrete proposals for withdrawals at the present time, but would reserve the right to make such proposals after the expiration of the time-limit fixed.

Mr. VALLADAO (Brazil) said that he would request his Government to take action on the matter and he had every reason to hope that it would shortly be settled. His Government was now considering the problem of its whole position with regard to the Agreement, and this particular matter was part of the larger problem.

The CHAIRMAN, having consulted the delegates of the United States and Brazil, proposed that the item be retained on the Agenda, to afford time to the delegations of the countries concerned for further consultations.

4. Swedish Anti-Dumping Duties (L/215)

The CHAIRMAN announced that since the statement by the Government of Italy on Swedish anti-dumping duties (L/215) had been prepared, the Swedish proclamation of July 1954 had been cancelled and replaced by a new proclamation of 15 October, which seemed to meet the points of the Italian complaint.

Mr. ANZILOTTI (Italy) had taken note of the new decree published by the Swedish Government and he thought it would be useful to continue consultations with the Swedish delegation. He asked that the CONTRACTING PARTIES postpone taking action on this item.

Mr. SAHLIN (Sweden) confirmed that since the new decree had been published by his Government, consultations had taken place between the Italian and Swedish delegations and he supported the proposal to postpone action.

Mr. SINCLAIR (United Kingdom) said that his country had an interest in this matter and would like to be associated with any consultations. Since this was a matter of principle and the case was the first of its kind to come before the CONTRACTING PARTIES, he suggested that it might be helpful to investigate it in a working party. Such a discussion might throw light on the consideration of Article VI during the Review.

Mr. SHALIN (Sweden) said his delegation would be glad to supply the United Kingdom delegation with any information required.

It was agreed that the Italian and United Kingdom delegations should consult with the Swedish delegation, and if necessary the matter could be referred to the Panel on Complaints.

5. Turkish Import Taxes and Export Bonuses (L/214)

The CHAIRMAN drew attention to the Italian complaint (L/214) concerning action by the Turkish Government more than a year ago in levying special import taxes of 25, 50, or 75 per cent on certain goods, and subsidizing the export of certain agricultural products. Five items of the Turkish tariff on which concessions were granted to Italy at Torquay were subject to the new tax. Of the full list of one hundred items to which the tax was applied, more than one-half appeared in the Turkish schedule. Presumably Italy was making the complaint under Article II:1(b). The second part of the Italian complaint related to the export subsidies, which, in the Italian view, should have been reported to the CONTRACTING PARTIES in accordance with Article XVI. The Chairman confirmed that the subsidies were not mentioned in the notification submitted in 1954 by Turkey under Article XVI. The contracting party granting the subsidy was required by Article XVI only to discuss the possibility of limiting the subsidization, but the CONTRACTING PARTIES themselves might request such discussions with the government granting the subsidy if it were determined that the subsidies caused or threatened serious prejudice to the interests of another contracting party.

Mr. ANZILOTTI (Italy) referred to the description contained in the Italian statement (L/214) of the Turkish export bonuses on certain agricultural products and of the import taxes on the value of certain goods considered less necessary for the economy of the country which were imposed in order to provide the necessary funds for the bonuses. The taxes affected certain items in the Turkish schedule negotiated with Italy at Torquay. Italian imports of great importance to his country on which concessions had been negotiated with a view to stable treatment were thus now subject to much more unfavourable treatment. Moreover, the export bonuses were granted to products which were also an important part of Italian exports. Consequently, Italy was affected on both the import and export side by the Turkish measures. The question had been taken up with the Turkish Government through the Italian Embassy in Ankara, but without a solution. The Italian delegation considered that the measure adopted by the Turkish Government, in so far as it related to the imposition of the tax on items bound under the Agreement, was contrary both to the provisions and spirit of the Agreement and might justify recourse to the provisions of Article XXIII. On the other matter, his Government had not yet had the opportunity to enter into consultations on the subject of the subsidies granted.

Mr. HAYTA (Turkey) made a statement which is reproduced in full in document W.9/8. A brief summary follows:

The system of the Equalization Fund was based on two Articles of the Law for National Protection, passed in 1940 and continually applied since then, and therefore, having regard to paragraph 1(b) of the Protocol of Provisional Application, could not be regarded as contrary to the Agreement.

The Equalization Fund was the corollary of the new system of foreign trade adopted in September 1953, whereby the barter system was liquidated. Its object was mainly to secure the necessary foreign exchange to safeguard the balance of payments and to maintain import possibilities. Mr. Hayta, in explaining the mechanism and structure of the Equalization Fund, referred to the Turkish Government's replies to the Questionnaires on Balance of Payments Import Restrictions (GATT/CP/89 and L/155). The system of foreign exchange, which had been in existence since 1929, had resulted in abnormal fluctuations in trade and a special exchange rate for exporters which inflated the prices on the domestic market and depreciated the prices of export items abroad. The new system involved in particular limiting the number of non-essential imports and levying upon certain imported goods which were regarded as not only non-essential but luxury articles, the price differential to be granted to certain export items. As a result of import incentives and protective measures applied by other countries, competition on foreign markets for certain Turkish exports had become extremely difficult. The Equalization Fund, which was set up with the Turkish Agricultural Bank, was designed both to help Turkish exporters by enabling them to charge different prices for such export items, and at the same time to permit token imports of certain non-essential goods. The Fund was financed by the sale of import permits at a price differential of between 25% and 35% of the value of the imported goods. These price differentials in no way constituted import taxes or charges. Mr. Hayta gave detailed figures of the results of the operation of the Equalization Fund which would show, he declared, that the system in question had not been instituted for revenue purposes, and had been made necessary by Turkish balance-of-payments difficulties. The International Monetary Fund had approved the establishment of the Equalization Fund. His delegation was prepared to demonstrate that the interests of contracting parties had not been damaged.

The CHAIRMAN thought that this complaint, because of its complicated nature, might appropriately be referred to the Panel on Complaints. Since the Turkish delegate had stated that the practices in question were multiple currency practices which had received the approval of the Fund, he hoped that a representative of the Fund could be present during the Panel's discussions. The Turkish delegate had referred to the Protocol of Provisional Application, paragraph 1(b). The Chairman wished to point out the reference to application of the Agreement "to the fullest extent not inconsistent with existing legislation" applied to Part II. One of the Articles invoked by the Italian Government was Article II in Part I.

Mr. ANDERSON (International Monetary Fund), referring to the final part of the Turkish statement, said that the practises under question were multiple currency practices under the Fund Agreement. Further, in a Decision respecting Turkey, the Fund had stated that it did not object to the temporary continuance of

the present practices and would remain in consultation with Turkey on these matters. Previously the Fund had also been in consultation with Turkey in respect of the retained currency or retention quota system. Mr. Anderson said that he was sure that Fund representatives would be willing to assist with the Panel.

Mr. SCHWARZMANN (Canada) felt that trade as well as financial aspects were involved and hoped that the Panel would take both into account.

Mr. SANDERS (United Kingdom) supported this suggestion. His Government had also a particular interest in the trade aspects.

The CHAIRMAN said that the Panel should take account both of the question of currency practices and the trade aspects in dealing with this complaint.

It was agreed to refer the complaint by the Government of Italy on Turkish import taxes and export bonuses to the Panel on Complaints.

6. Nomination of a Panel on Complaints

The CHAIRMAN proposed the establishment of a Panel on Complaints with the following membership:

Chairman: Mr. L. K. Jha

Members: Mr. J. Alvaro Muñoz
Mr. C. E. P. Jayasuriya
Mr. J. P. D. Johnsen
Mr. S. Salvador Ortiz
Mr. Gunnar Seidenfaden
Mr. G. J. J. F. Steyn

and with the following terms of reference:

To consider, in consultation with representatives of the countries directly concerned and of other interested countries, complaints referred to the CONTRACTING PARTIES under Article XKIII, and such other complaints as the CONTRACTING PARTIES may expressly refer to the Panel, and to submit findings and recommendations to the CONTRACTING PARTIES.

The terms of reference and membership of the Panel, as proposed were agreed.

7. Greek Luxury Tax and Tariff Changes (L/234)

The CHAIRMAN recalled that the memorandum of the Italian Government (L/234) dealt with a number of points, some of which had been examined by the CONTRACTING PARTIES at their Eighth Session, while others related to subsequent tariff action by the Greek Government.

Mr. ANZILOTTI (Italy) stated that the Italian complaint referred to the imposition of a luxury tax on certain imported products of artificial textile fibres and manufactures whereas the domestic production was exempt; secondly, minimum duties to be established for certain products (textiles and cutlery) enjoying bound rates under the Agreement; and, thirdly, the unilateral modification of the bound rate on eyeglasses.

Since the Italian and Greek delegations proposed to have consultations on this matter within the next few days, Mr. Anzilotti suggested that consideration by the CONTRACTING PARTIES be postponed. The two delegations concerned would notify the CONTRACTING PARTIES of the results of their consultations.

Mr. HADJI VASSILIOU (Greece) accepted the invitation of the Italian delegation to consult, and was optimistic as to the outcome, particularly as similar negotiations with several countries such as the Benelux countries, France, Germany and Norway, regarding almost all the items listed had concluded satisfactorily. Some of these agreements had been notified to the Executive Secretary by a communication of 11 March

Mr. DONNE (France) said that this problem concerned France also. Following the recommendation of the Eighth Session, the French Government had had negotiations with the Greek authorities regarding certain items, which had resulted in an agreement satisfactory to both parties in February 1954. The question of the discriminatory aspects of the tax on artificial textile fibres and manufactures, had also been discussed with the Greek Government which had recognized its obligations and indicated its intention to remove the discriminations as soon as the economic and financial situation permitted. It was to be noted that Greece had already abolished the tax on fibres and twice reduced it on rayon. A first and not negligible effort had been made and his Government hoped those reductions would soon be extended to imported rayon. His delegation associated itself with the remarks of the Italian delegate and supported consultations between the delegations concerned.

Mr. HADI VASSILIOU (Greece) referred to a Note of 29 October whereby his Government had assured the French Government that the alleviation of the discriminations would continue. He was, however, quite willing to consult with the French delegation if so desired.

Mr. SANDERS (United Kingdom) said that the United Kingdom was concerned about the compatibility of the tax with Article III. His delegation wished to be kept informed of the progress of the consultations. The United Kingdom Government was also interested in a further aspect of this matter. Ad valorem minimum duties had been introduced respecting certain products, including

textiles, in which it was interested. After the Eighth Session, his Government had made representations to Greece about the effect on exports from the United Kingdom. He hoped that an examination of the reply recently received from the Greek Government would close the question. In the meantime, his Government reserved its position on the matter. He wished to thank the Greek Government for their detailed examination of the questions raised by the United Kingdom.

Mr. GOERTZ (Austria) said that Austria was particularly interested in fibron, and hoped that Austria's interest would be taken into account in the consultations on this matter.

The CHAIRMAN said that the Italian complaint would be retained on the Agenda in order to give an opportunity for consultations between Italy and Greece. The delegates of Austria, France and the United Kingdom had expressed an interest in the matter and he suggested that they be kept informed as to the course of the consultations.

9. United States Restrictions on Dairy Products (L/268)

Mr. SIEDENFADEN (Denmark) introduced the draft resolution submitted by his delegation on United States import restrictions. It was based on the Resolution of the Eighth Session and took into account, he believed, the points made during the discussion of the matter. The Resolution noted that some progress had been made by the United States Government in the direction of correcting the situation but that import restrictions continued to be applied, and recognized that a number of contracting parties had indicated that they were suffering serious damage. The Resolution affirmed the right of contracting parties to have recourse to the appropriate provisions of Article XXIII and authorized the Netherlands to suspend its obligations to the United States in similar manner to last year. Finally it recommended that the United States take account of the harmful effects on trade of the continued application of current restrictions, and requested a report before the opening of the Tenth Session on the action taken.

The CONTRACTING PARTIES adopted the Resolution.

Mr. BROWN (United States of America) wished to add some more specific information just received to that contained in his Government's Report (L/268). Government purchases under the price support programme for dairy products had been running lower over the last six months and were now 13 per cent. lower than in the previous year. No butter had been purchased since 17 September and the inventory stocks of butter were down to 64 million pounds, of cheese to 24 million pounds, and dried milk stocks were lower by 365 million pounds than last April.

10. General Proposals for the Arrangements of the Review Discussions (W.9/2)

The CHAIRMAN referred to the first report of the Administrative Steering Group on general proposals for the arrangements of the Review discussions (W.9/2). The Group recommended that there should first be general discussion in plenary session, followed by plenary debate, organized under a series of headings, and thirdly, the discussion in the working parties.

The CONTRACTING PARTIES approved of the general proposals for arrangements of the Review discussions.

The CHAIRMAN reminded delegations that replies to the questionnaire on valuation methods (L/228) were due on 10 November. The review of Article VII would be seriously handicapped if governments did not furnish the information requested.

The Meeting adjourned at 5.30 p.m.

