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SUMMARY RECORD OF THE SEVENTEENTH MEETING

Held at the Palais des Nations, Geneva,
on Tuesday, 16 November 1954, at 3 p.m.

Chairman: H.E. Mr. L. Dana WILGESS (Canada)

Subject discussed: Review of the Agreement:

- (a) Tariffs, Schedules and customs administration (continued)
- (b) Other barriers to trade

a) Tariffs, Schedules and customs administration (continued)

Mr. KASTOFT (Denmark) referred to the discussion at the Eighth Session concerning the prolongation of the Schedules, at which time the position of the Danish Government had been fully stated. The situation had hardly changed since that time and the view of his Government continued to be that the small low-tariff countries had not received the benefit of the previous negotiating procedures, and that re-binding the schedules meant a continuation of the present unsatisfactory and unbalanced system. Article XXVIII would be considered during the Review and he would reserve the position of his delegation until the working party had considered all the problems. Tariff levels between members were inequitable and the Danish delegation attached importance to a levelling of this disparity. A general lowering of tariffs would be the policy most in accordance with the objectives of the General Agreement. Denmark had proposed the insertion of a new article that would require members to enter into and carry out negotiations directed to a substantial reduction of the general level of tariffs and other charges (L/273). As the Danish Minister had stated, his delegation was in general agreement with the principles of the French plan.

Sir Malcolm BARROW (Rhodesia and Nyasaland) explained that his Government had a problem in considering Article XXVIII. The present expiry date of the validity of the schedules coincided with the date on which it was hoped that the new Federal tariff would enter into operation. With the new tariff in preparation it was difficult to maintain a schedule applicable only in respect of Southern Rhodesia. While his delegation had no objection in principle to extending the validity of the schedules, they would hope for special consideration to meet their particular difficulty. The view of his Government was that tariffs were a more satisfactory instrument than quantitative restrictions and, accordingly, some flexibility should be permitted to enable renegotiations for purposes of economic development.

Dr. SVEC (Czechoslovakia) referred to the statement he had already made to the effect that his delegation was prepared to look with favour on provisions designed to meet the needs of countries in the process of development. His Government was particularly concerned that there should be no discrimination against Czechoslovakia in this connexion, and understood that such was not the intention of the countries concerned. He wished to comment on a proposal of the Austrian delegate, on a matter to which the secretariat paper also referred (L/189/Add.1), concerning the fundamental principle of most-favoured-nation treatment. As he understood the proposal, Austria intended to suggest that contracting parties be forbidden to grant the same treatment to goods from non-contracting parties as they granted to contracting parties under the Agreement. Such a proposal would impose an obligation to discriminate against non-contracting parties, and would be contrary both to the spirit and the objectives of the Agreement. The universal objective of the Agreement was the expansion of trade with all countries, and there should be no question of undermining the trade of contracting parties with non-contracting parties. It was, moreover, questionable whether the imposition of such discrimination would be consistent with the principles of non-interference in domestic affairs enunciated by the United Nations Charter. In any case, it should be remembered that contracting parties already had contractual obligations to non-members and could not envisage the infringement of such obligations.

He agreed with the Italian delegate that although mainly of a technical character, certain of the aspects of this topic had economic implications. Some of the proposals regarding valuation suggested a rigid comparison between export and domestic prices. The working party should bear in mind that different countries had different price systems and structures, his own country for example had a quite different structure and system of prices on the domestic market. Some proposals dealt with the rate of exchange and he would also remind the working party of the legal difficulties encountered at the last Session when taking note of the new rate of exchange of the Czechoslovak crown.

Mr. HAGEMANN (Germany) recalled that Germany had consistently supported the plans tending toward a general lowering of tariff levels, originally presented by the French Government. His delegation had agreed in principle with the plan drawn up for this by the CONTRACTING PARTIES and was consequently of the opinion that, in relation to the contemplated tariff negotiations, new measures should be taken in this direction. The possibilities of the bilateral technique of negotiation had been more or less exhausted during the three series of negotiations at Geneva, Annecy and Torquay. It would be appropriate to apply, on the occasion of the forthcoming negotiations, the collective and automatic method of the plan already examined by the CONTRACTING PARTIES. This plan, subject to the modifications considered necessary by the CONTRACTING PARTIES, should form an essential part of the revision of the Agreement, even if it should only achieve a smaller reduction than originally envisaged, and even if it should be limited to the industrialized countries. One condition should be insisted upon, however, that as well as the industrialized countries of Europe, including the United Kingdom, the United States and Canada, should also participate in the collective reduction of tariffs. His Government hoped especially that the Government of the United States would obtain the necessary powers for such participation.

Mr. CRAWFORD (Australia) said that the Australian dissatisfaction with the no-new-preference rule had already been stated by the Minister. The rigid rule contained in Article I, was, in effect, reinforced by the Havana Charter Article 17 although the latter had no legal standing. The Australian position on this question was only that the same commonsense application should apply to Article I as to the other provisions of the Agreement. Tariff rates were subject to selective binding as a result of periodic negotiations, and bound rates might be increased, even if under somewhat complicated procedures. No comparable facilities existed for negotiating preferential margins. His Government sought arrangements which would enable it to submit proposals for such negotiations. There was no desire to make preferential bargains outside of the Agreement, nor to take unilateral action. He would remind the CONTRACTING PARTIES that the value of the existing margins was in no way comparable now to what it had been even in 1947, and the possibility of using these margins as a basis for negotiation, which had been recognized in the Havana Charter, had thus dwindled away. Australia was prepared to consult and negotiate with all the parties that would be affected by any proposed change and to submit the results of such negotiations to the CONTRACTING PARTIES for approval. Article XXIV already contained the concept of trading areas. His Government only contemplated an amendment that would give permission to negotiate on preferences in an open manner and subject to scrutiny not only by the affected parties but by the Organization. If this were permissible for tariffs it should also be permissible for preferences. His Government had no objection to negotiating some of its own perhaps excessive margins of preferences. They strongly objected, however, to being prevented from seeking any upward change in the margins of preference, for which they were prepared to give compensation.

Dr. PRIESTER (Dominican Republic) supported the view of the South African delegate that it would be dangerous to touch Article I. One of the great achievements of the Agreement was the provision that preferential margins could not be increased and the inclusion of a commitment to negotiate for their reduction. Any modification of this provision would be a retreat from the doctrine of multi-lateral trade. In the past there had been many arrangements which had circumvented this rule, and his delegation hoped that the working party would study the question and present proposals that would make such circumvention impossible. He understood the reasons for the Australian request, but hoped the CONTRACTING PARTIES would consider the overall interests of world trade. No useful purpose would be served by weakening the provisions on preferences.

Mr. BROWN (United States) thought the view of his country that the most-favoured-nation principle was the cornerstone of the Agreement was well known. It would be, for reasons of principle, a backward step to alter Article I. Moreover, for many countries, including his own, the maintenance of this Article was one of the fundamental elements of the bargain which formed the basis for participation in the Agreement. It should remain inviolate.

Mr. JOHNSON (New Zealand) said that his delegation had not proposed the weakening of Article I, but were prepared to support the right to review preferential margins in some cases. The waiver procedure was available for these purposes. He considered that the suggestions by the Australian delegate

were appropriate for consideration by the working party. Mr. Johnsen called attention to the question of certain minor adjustments in the preferential margins. New Zealand had been attempting to eliminate tariff surtaxes, thus simplifying its tariff structure. The resulting procedure of rounding tariff rates sometimes led to small increases in the margins of preference between the trade agreement and most-favoured-nation area. He did not think the CONTRACTING PARTIES as a whole were concerned with this matter and thought the situation might be met by an interpretative note. He would present such a suggestion to the working party.

Mr. DOMINIQUE (Haiti) referred to different methods of application of Article VII. Certain countries applied to imports a tariff based on the value of similar products of local manufacture. This seemed to him contrary to the Agreement. With regard to taxes on consular invoices, his country was unable to envisage fixing a date for their abolition.

Mr. GARCIA OLDINI (Chile) recalled that the question of preferences had caused the most bitter controversy in Havana where it had been finally admitted, with the insertion of Article 15, that provision must be made for their introduction, in certain circumstances, for purposes of economic development. His delegation considered that the inclusion of such an article was indispensable in the Agreement and had made a proposal to this effect. Development in certain regions would be difficult without some degree of integration of their economies, and it was necessary to provide the possibility of recourse to a preferential system.

Baron BENTINCK (The Netherlands) referred to the question of tariff reductions, which was for his Government a most important issue. He emphasized that the Benelux delegation thought it of primary importance for the CONTRACTING PARTIES to agree to the inclusion of a new rule in the Agreement indicating general objectives with regard to the reduction of tariffs. It was understood that the application of such a rule would require machinery and procedures but this was of secondary importance. The Benelux delegations had proposed a new article which would oblige members to undertake to reduce their customs duties when the latter were an obstacle to the development of trade. The Benelux proposal was based on the consideration that there was as yet no clear answer to the question as to when duties were as harmful as other barriers to trade and the working party might examine the possibility of drawing up an exact definition in this connexion.

The United States delegate had pointed out that the balance of the concessions obtained in the negotiations was only becoming apparent now that quantitative restrictions were being progressively eliminated. Low tariff countries were encountering increasing difficulties due to the disparities in the levels of tariffs, disparities which frequently increased as quantitative restrictions were dismantled. In 1947 it had been envisaged, in drawing up the balance of concessions, that progress would be made in the tariff field as well as in the field of quantitative restrictions. Some new incentive, however, appeared to be required to achieve such a result and he hoped the Benelux proposals would contribute to this.

Mr. PHILIP (France) thought it was dangerous to reopen the question of Article I which was the basic principle of the Agreement. It was equally dangerous to give it too great a rigidity. Experience had shown that the procedure of waivers should be left open and that no article, including Article I, should be interpreted so rigidly as to constitute an obstacle to the economic evolution of any contracting party, including dependent territories.

Mr. MAKATITA (Indonesia) said that his Government opposed any deviation from the principles of Article I. On the contrary it wished to draw attention to the need to reduce existing margins of preference.

The CHAIRMAN thought the debate had shown that the views on the status of Schedules and Article XXVIII were less rigid than the views expressed on quantitative restrictions and while many delegations considered it essential to maintain the stability of the Schedules, this view should be reconciled with the desire to maintain a certain flexibility.

The working party should take into account the various proposals made, including the following:

1. Article XXVIII: that the possibility of unilateral withdrawal be eliminated; that withdrawal should be permitted without compensation; whether flexibility for economic development might better be considered under Article XVIII.
2. Extending the assured life of the Schedules and facilities for renegotiating certain items.
3. The French plan: the question of mandatory negotiations; the timing and procedure of such negotiations.
4. Article I and the question of facilities for negotiating preferential margins.
5. Questions of customs administration.

(b) Other barriers to trade

Mr. HAGEMANN (Germany) said that his delegation took a clear position in favour of the establishment and maintenance of the natural conditions of competition in the realm of international trade. It had proposed the adoption of a new article, condemning artificial measures of encouragement to exports which were capable of distorting these. The CONTRACTING PARTIES should undertake to notify all artificial export supports imposed by them, the notification to serve as a basis for consultations aimed at the abolition of such measures.

The question of anti-dumping and countervailing duties required supplementary clarification and he referred to the proposals submitted by his delegation. The provisions of Article VI were not adequate, in his opinion, to counteract dumping by countries whose prices were based on a particularly low level of salaries. Such dumping could cause serious trouble to the commercial situation of other

contracting parties and result in damage to important sectors of their production. It was necessary in his opinion to re-examine the question as to whether an appropriate interpretation of Article XXIII would not permit taking discriminatory measures of defence.

Mr. CRAWFORD (Australia) said that his delegation was concerned that the stability of the concessions be maintained. Subsidies, both domestic and export, posed the same problems to countries like Australia as tariffs to the exporters of manufactured goods. Subsidies could nullify the benefits obtained by the exporter of raw materials. A domestic subsidy could impair a market as effectively as a tariff, and even free entry into that market became valueless. State trading also distorted or limited markets. Mr. Crawford welcomed the attitude on these matters by the major trading nations. It was from them that Australia and others in the same position had the most to fear, and without their cooperation the attempt to arrive at the safeguards sought by the exporters of raw materials was doomed. He therefore welcomed the United States approach to this matter. He had noted the Danish and New Zealand proposals and commended them to the attention of the working party. The Australian Government recognized that reasonable protection of agriculture was unavoidable, and was willing to entertain measures providing some flexibility from agreed rules on this matter, in the same manner that they hoped to have a similar flexibility with respect to quotas and tariffs. He thought the procedures of Article XXIII should apply in all these cases. If contracting parties were willing to examine these matters, the Review might be able to restore the balance which was now lacking in the Agreement.

Mr. Crawford referred to the problem of surplus stocks. Although this problem might perhaps not lend itself to a detailed solution within the rules of the Agreement, the principles which had been drawn up by the Food and Agriculture Organization for guidance in this matter required examination in the context of the Agreement. Much might be achieved by full consultation between the countries holding stocks and the exporters affected. He was aware of the difficulty of the problem, but pointed out that it had not been created by the countries which exported primary products and seriously impaired or affected their trade. They felt entitled to ask for rules to be applied in these cases, rules which would be no more than the counterpart of those asked by other countries with regard to manufactured goods. Failure to reach agreement on this would prejudice the satisfactory outcome of the Review and the objectives of the Agreement.

Mr. ANZILOTTI (Italy) said that his Government had already expressed its objection to export subsidies which could have both the effect of prejudicing a country's produce in its own markets and of creating unfair conditions of competition in third markets between the products of the country granting the subsidy, and those of a country which did not. Such measures were unacceptable both because the advantage lay always with the stronger countries and because such measures obliged other countries to impose anti-dumping duties and quantitative restrictions and introduce special exchange procedures in order to defend their internal markets against the competition from countries applying such measures. His Government was completely opposed to such régimes and considered

that Article XVI should be amended so as to condemn all export subsidies both direct and indirect as contrary to the objectives of the Agreement. It was also necessary to examine programmes of agricultural price support existing in certain countries. Such programmes, with the resultant accumulation of stocks, inevitably led to the adoption of export incentives and damaged both traditional exports and exporters of other countries. Subsidies and all other measures to aid exports should be submitted to the permanent control of the CONTRACTING PARTIES and eliminated as soon as possible. The imposition of new measures of this type should be forbidden in principle, and admitted only in specially defined cases and with the prior approval of the CONTRACTING PARTIES, which should define both the form such subsidies should take and the duration of their application.

Mr. LOUW (Union of South Africa) pointed to the recently increased tendency of governments to give direct financial assistance and other inducements to exporters in order artificially to stimulate and increase the volume of sales abroad. Such measures included the payment of direct subsidies, special facilities like tax reimbursements and special tax remissions to export corporations, multiple exchange rates, foreign exchange retention schemes, etc. During the period of postwar shortages the harmful effects of these measures had not been so evident, but with exports increasing and a return to competition and new levels of production, the continued use of special export schemes led to a disturbance of the normal patterns of trade. His delegation suggested that provisions be incorporated that would impose a total prohibition on such practices. He was particularly concerned with direct export subsidies imposed with a view to obtaining more than a fair share of markets. A whole group of such practices had developed around systems of special exchange rates. Other schemes were those like the United States system of agricultural commodities bought by the Government and sold abroad at prices lower than the domestic product. All these formed a serious threat to the free flow of trade and prejudiced harmonious commercial relations and the success of the organization. The advantage lay inevitably with the financially strong, who would gradually drive out the products of the smaller countries. Article XVI should be extended so as to prohibit direct subsidies and curb the use of all other devices which provided specific financial incentives to exporters and created conditions of unfair competition in international trade.

Mr. JOHNSON (New Zealand) supported a widening and strengthening of the subsidy provisions of the GATT. As an exporter of primary products, New Zealand felt that its economic position was being prejudiced by the action of other countries which were protecting their high-cost agricultural production through subsidies, among other measures. In the existing text, such countries seemed able to take this action without infringing the Articles of the Agreement, while they were asking at the same time for tighter provisions in relation to measures affecting their exports of manufactured goods. The New Zealand delegation considered that the Agreement lacked balance in this respect and its continued support would be influenced by the outcome of discussions on these points.

He considered that something should be done to prohibit or at least severely restrict the use of export subsidies and in this respect Article 28 of the Havana Charter would be useful provided something along the lines of Article 26 were also included. His delegation attached importance to the retention of the provisions permitting price stabilization schemes, included in Article 27 of the Havana Charter and in Article VI:7 of the Agreement. New Zealand's price arrangements on dairy products and meat were price stabilization schemes of this type and enabled producers to receive in an unfavourable year extra returns drawn from funds withheld from them in more favourable years. They did not constitute export subsidies in the sense now discussed.

The type of export subsidy New Zealand considered most dangerous was the type applied by the exporting country at the same time as an import restriction which prevented New Zealand's produce from entering the country concerned. Such a situation was very serious. Measures of this type might appear to have short-run attractions both for the exporter and the importer, but he wished to stress that the long-term situation might be worse for all concerned. The position of low-cost producers might receive such a setback that its economy would suffer, it would be unable to afford to buy from other countries, and the usual markets for its produce would be dependent upon high cost supplies from elsewhere which might not continue indefinitely to be available at such rates. A chain reaction might thus be set in motion, which could result in serious damage to the economy of individual countries and to international trade generally. In the circumstances it was reasonable to suggest that importing countries be permitted to take action against goods carrying export subsidies not only to safeguard their own domestic industries, but also the interests of normal suppliers of such goods. Where this might not be practicable for legislative or other reasons, it would then be appropriate for quota restrictions to be used to achieve the same effect. Mr. Johnsen proposed that Article VI be amended in this direction.

With regard to domestic subsidies, many countries were applying these in a way which limited imports and prejudiced the markets for New Zealand's primary products. His delegation considered that the existing provisions of Article XVI should be strengthened and the procedures envisaged there brought to life. There could be no outright prohibition of domestic subsidies because they should be available as an alternative protective measure to tariffs. It had been argued that there was little need for strict rules in the Agreement about such subsidies, because their use was in any case limited by the amount of funds to finance them. His delegation did not consider this argument disposed of the question satisfactorily because the budgets of the countries concerned were substantial and they were in an advantageous position in respect of providing subsidies. If it were sound policy to have strict rules about tariffs and quantitative restrictions, there should be comparable rules about subsidies, including domestic subsidies, and effective provision for consultation, reporting and action by the CONTRACTING PARTIES.

Mr. Johnsen referred to the provisions on dumping contained in Article VI. This Article at present imposed no obligation to refrain from dumping. Such a provision was desirable and he would submit a proposal in this respect.

Mr. KASTOFT (Denmark) said that the complaints on subsidies contained in the Agenda of the Ninth Session established the existence of a problem which should be tackled. His Government had submitted proposals to amend Article XVI, so as to prohibit export subsidies. They were prepared to agree that a certain period should be allowed to elapse before countries were obliged to give effect to any new provisions in this sense.

Mr. ISBISTER (Canada) recalled the prominent place and increasing concern about subsidies at recent sessions. His delegation agreed that the present Article XVI was inadequate and were interested in some of the proposed amendments. He was doubtful, however, whether they would be able to support any proposals tending to give a contracting party, which found it impracticable to impose countervailing duties, the right to resort to quantitative restrictions. Such a proposal would have to be examined in detail, because of the risk that it might open up new and perhaps dangerous fields. He had been pleased to note the concern of the United States and their preparedness to discuss these matters. It would be helpful if the contracting parties could proceed on the understanding that disposal of surpluses would not interfere with markets. He emphasized that the disposals of surpluses and subsidized exports under discussion did not consist of relief measures in times of shortage, famine, etc. He was concerned only with the kind of subsidization which resulted in the dumping of certain products onto markets to the disruption of normal channels of trade.

It was important that satisfactory arrangements should be made with regard to the position of primary commodities. There was an undeniable tendency to increase agricultural protection in the world. The resulting restriction of markets placed large producers under an overwhelming pressure to dispose of their stocks by dumping practices. Many of these arose out of internal policies of countries and, while no contracting party wished to interfere in the internal policies of others, there was no doubt that the CONTRACTING PARTIES had to concern themselves with these policies when they gave rise to difficulties of an international character.

Mr. SUTENS (Belgium) stated that his Government was not only opposed to export subsidies, but to all kinds of aid for exports which tended to vitiate competition. Article XVI was inadequate, and his delegation, in cooperation with the delegations of Luxemburg and the Netherlands, would make concrete proposals to the working party.

Mr. PEREZ CISNEROS (Cuba) considered this question to be one of major importance. The present text was clearly inadequate, and he hoped that a strict regulation of the whole field would come out of the Review. His delegation would present their views in the working party.

Mr. MAKATITA (Indonesia) referred to the case of his country which was a producer of large quantities of a small number of primary commodities, which naturally had to be exported. Since the last war, one of their main products, rubber, had met with strong competition from the synthetic substitute. In such a situation his country was faced with the alternative of allowing the collapse of the major industry, or of intervening in its favour. His Government naturally had exempted rubber exports from the payment of export duties. In these circumstances, his delegation would not wish to see stricter rules than those at present in the Agreement, and suggested that their case was one which deserved consideration by the working party.

Mr. DOMINIQUE (Haiti) wished to express his agreement with the remarks of the representative of Canada concerning relief action. It was clear that such action could not be confused with subsidized exports, and he was glad of the opportunity to thank all those governments which had come to the assistance of the people of Haiti in their recent misfortune.

Mr. PHILIP (France) said that the statements made by representatives demonstrated the variety and extent of different export support measures. Some tended to correct distortions of the fiscal systems as between direct and indirect taxation, or the method of financing social security; others had in mind the compensation of the effect of agricultural price stabilization schemes; others of neutralizing the handicaps of an unfavourable financial or monetary situation; and finally there were systems which seemed deliberately designed to grant advantages and create new distortions. It was important to return to sounder practices. He would suggest that the working party distinguish between systems which distorted trade and those which redressed anomalous situations; that it avoid the condemnation of certain forms of subsidization while tolerating others of a less obvious but equally dangerous character; and that it determine the circumstances in which certain methods of support produced either disruptive or corrective effects on prices.

Mr. BROWN (United States) said it was clear from the debates at previous sessions and from the present discussion that the subject was of the greatest importance to the majority, if not to all, the contracting parties. He was conscious of the fact that much of the interest in the matter arose from the possibility of certain types of action by the United States having an adverse effect on markets and producers. The concern was caused rather by what might happen than by actual occurrences. The attitudes which he would describe in his statement would apply both to the rules relating to subsidies and to the problem of disposal of stocks. He referred to a White House statement of 9 September 1954, to the effect that it was essential that, in framing agricultural policy, account should be taken of the position of other countries. His delegation would, in the working party, explain the position of the United States. It was also recognized that the magnitude of holdings in the United States was such that, if they were handled in a reckless manner, disruption of world commodity markets might ensue. His country also recognized that this possibility - unlikely as it was - might alarm other countries, and that the orderly liquidation of large stocks was desirable both from the point of view of the United States

and of other countries, both consumers and producers, because of the indirect effect of their existence on markets. He was sure other countries would recognize that the United States could not accept the position of being the ultimate residual supplier, after all other countries had disposed of their production. The conclusion was that they must engage in gradual liquidation of surpluses in a manner which would avoid injury to the competitive position of producing countries.

It was true that, as a result of support programmes, prices were higher in the United States than elsewhere for a number of, but not all, commodities. It was, however, also true that these subsidies were welcomed by a number of consuming countries. He felt sure, in fact, that the importing members of the International Wheat Agreement had no objections to the subsidization of wheat sold under that agreement. Another point of importance was the possibility of expanding consumption in areas where under-consumption demonstrably existed, and where an increase could be constructively developed. Subsidies could play a useful part in this field, and the CONTRACTING PARTIES could not have objections to action of this kind, in view of the food shortages prevailing in many areas.

In other cases, subsidies had been used to assist exporters to retrieve markets won by their own endeavours but lost because of arbitrary barriers of different kinds.

Mr. Brown recognized that despite the past record of judicious use of such techniques, and despite statements that they would continue on this path, there was still concern among contracting parties. He reiterated, therefore, that, as indicated by his Government's proposals, they were prepared to consider the insertion of provisions into the Agreement prohibiting the use of subsidies so as to acquire for the subsidizing country more than an equitable share of world markets.

Mr. JHA (India) recalled that his delegation had pleaded for greater flexibility in matters of quantitative restriction, particularly for underdeveloped countries. This also implied that subsidies should not be left without regulation. The representatives of Indonesia and of the United States had pleaded that in some cases there was a necessity for subsidies. It was his view that the test for the CONTRACTING PARTIES should not be the existence of a subsidy, but rather its effects. Such effects could be very serious indeed, not only to domestic producers in importing countries, but also to exporters who were driven out of their markets by the competition of exporters located in the territories of contracting parties who subsidized exports. Whereas importing countries could protect their domestic industries by the use of countervailing duties, exporting countries who suffered from competition of subsidized exports were, under the Agreement as it stood at present, helpless. He suggested that the working party should: (1) define subsidies to cover not only direct payments by governments, but also other forms of artificial aid; (2) devise criteria for the determination of injury, and (3) devise measures to allow a third party to protect itself against subsidized competition.

Dr. PRIESTER (Dominican Republic) referred to the condition of his country, which was primarily an exporter of agricultural produce. The aspect of subsidization which concerned them was that of aid granted by governments to domestic producers in importing countries, with the result of impeding expansion in their trade. Furthermore, domestic subsidies tended to increase production beyond normal levels, thus further reducing the share of foreign producers. He was thinking of the case of sugar production in the United States at the present moment, which caused concern to his Government, and drew the attention of the working party to this problem so that it might investigate cases where domestic subsidies tend to interfere with the interests of natural producers.

The CHAIRMAN, summing up, said that the discussion had provided a useful supplement to the general statements of the first stage. It was clear that a thorough examination of the problem by the working party would be necessary. The desire for new provisions in the Agreement appeared to be widespread.

Dr. SVEC (Czechoslovakia) said that the articles relating to state trading were of the utmost importance to his Government, because it was under these provisions that they operated as a contracting party. He had therefore devoted close attention to the proposals and statements of delegations on this matter. Some delegations had expressed the view that state trading was a substitute for quantitative restrictions and should be dealt with in the same manner. He wished to point out that his Government could not accept such an approach. The Czechoslovak system had the aim, duty and actual result of expanding its foreign trade and imports from all countries as much as possible. No import licences were required, and no discrimination was practised. He thought that some of the statements reflected the concern of the speaker with concrete cases but were not aimed at a general condemnation of state trading. He was glad that one of the proposals relating to state trading came from the Danish Government, as the latter would be able to make use of its experience in trading with Czechoslovakia. Denmark was aware that its trade with Czechoslovakia had resulted in an expansion.

Mr. KASTOFT (Denmark) said that his delegation had stated on many occasions that the aim of the General Agreement was to arrive at the best division of labour in international trade. To achieve this, therefore, they must make a balanced attack on obstacles to trade. State trading could be used for the restriction of agricultural imports and was resorted to in certain cases with that purpose. State trading was often resorted to in order to carry out a price policy which would favour national producers. His government, therefore, had presented proposals for the amendment of Article XVII. With reference to the remarks by the representative of Czechoslovakia, he wished to add that their proposals were not aimed at the Czechoslovak trade system.

Mr. GARCIA OLDINI (Chile) said that the situation arising out of the disposal of large stocks required examination by the CONTRACTING PARTIES. Several governments, among which his own, felt the need for provisions to regulate this field. With that aim in view they had proposed the incorporation into the Agreement of Article 32 of the Havana Charter.

Mr. JOHNSEN (New Zealand) felt that there no longer appeared to be any reason for the maintenance of paragraphs (b) and (c) of Article XX. The case of (a) was different in that the circumstances provided for might still arise; this paragraph should therefore be maintained.

Mr. GARCIA OLDINI (Chile) said he was still not quite clear as to the exact implications of the two paragraphs which it was proposed to delete, and suggested that the working party concern itself with this section of Article XX.

The CHAIRMAN confirmed that this would be a matter of discussion by the working party.

Mr. LOUW (Union of South Africa) expressed his interest in what the representative of the United States had said and was sure that they were all grateful for certain assurances which had been given. He wished, however, to say that the statement had not satisfied him in all respects. For instance, no indication had been given whether the United States wished to continue with its price support programmes. Assurances had been given on the disposal of surpluses, but if support programmes were to continue, stocks would clearly go on rising, and it was the price support programmes which were the root of the problem. He realized that these were matters of domestic policy and appreciated from his own personal knowledge the difficulty of resisting pressures from influential agricultural groups. The United States, however, played such an important part in the world economy that their actions had repercussions well beyond the borders of the country. He also wished to refer to another remark made by the United States representative to the effect that the United States could not accept to be in all cases the residual supplier, which he thought was linked with the other remark that the United States wished to use subsidies in such a manner as to give them an "equitable" share of world trade. He could only reply that it was a fundamental law of economics that the share of world trade should be determined by competition. He also wished to express his concern at certain arrangements made by the United States for the sale of surpluses against national currencies.

Mr. BROWN (United States), in reply to Mr. Louw, said that it was the intention of his Government to continue with their price support programme. He thought, however, that the contracting parties would remember that substantial changes in the character and philosophy of their support legislation had been introduced so as to make them more flexible. In the more important commodities, production had been heavily restricted. The reduction in the measure of support had also significantly reduced stocks.

The meeting adjourned at 6 p.m.

