

GENERAL AGREEMENT ON TARIFFS AND TRADE

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Ninth Session

SUMMARY RECORD OF THE TWENTY-SIXTH MEETING

Held at the Palais des Nations, Geneva,
on Tuesday, 21 December 1954 at 3.00 p.m.

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

- Subjects discussed:
1. Progress Report by Chairman of Review Working Party I (continued)
 2. Addition to the Ninth Session Agenda of an item proposed by New Zealand
 3. General appraisal of the Review
 4. Item 8 - Customs Administration

1. Progress Report by Chairman of Review Working Party I (W.9/126) (continued)

Mr. DIAS CARNEIRO (Brazil) explained that his delegation had abstained from commenting widely in the Working Party upon the question of quantitative restrictions for balance-of-payments reasons, as it had been agreed that the problem of under-developed countries would be met under Article XVIII B. They did have views regarding the time limit proposed for the maintenance of quantitative restrictions after the restoration of convertibility. Such a time limit would prevent industrialized countries from contracting bilateral agreements with under-developed countries. However, after convertibility, the major European currencies would become as scarce or more scarce to under-developed countries than the dollar was at present, and the latter countries would be obliged to return to bilateralism. If quantitative restrictions were necessary to implement bilateral agreements, and a time-limit had been placed upon their retention by industrialized countries after convertibility was achieved, it was difficult to see how under-developed countries would be able to place their exports in the markets necessary for them to obtain needed imports of capital goods.

Mr. Dias Carneiro said that he would have to reserve the position of his delegation concerning these particular proposed amendments. He recognized that some of the proposals for improving the consultation procedures laid down in Articles XII and XIV were acceptable, and recognized the validity of the United Kingdom proposed new text for paragraph 5 of Article XII, which gave some possibility to under-developed countries to enter into bilateral agreements with the major industrialized countries of Western Europe whose currency has become convertible into dollars.

He wished to add that the Brazilian delegation sympathized with the objectives of the United Kingdom and the United States in submitting their amendments. The gradual abolition of quantitative restrictions for balance-of-payments reasons was

only possible for the major industrialized countries if there was a fund to finance convertibility, and when the condition attached to such a fund was that quantitative restrictions must be abolished, there was no alternative to gradual elimination of such restrictions if the countries wished to attain full convertibility. Since under-developed countries lacked the necessary steady flow of capital to develop their economies without balance-of-payments difficulties, his delegation could not accept these amendments despite recognition of their validity.

Mr. OSMAN ALI (Pakistan) referred to paragraph 8 concerning the exclusion from the benefits of Article XVIII of existing industries. His delegation shared the view of the representatives of Cuba and India that this was unwarrantedly restrictive. This was an important point for his delegation, since many industries in Pakistan had been established only in the last few years, and they could not believe it was the intention of the CONTRACTING PARTIES to make so arbitrary a distinction. Article XVIII in its present form, after all, made provision for industries established before the General Agreement came into operation.

Mr. ANZILOTTI (Italy) referred to the difficulties, elucidated by the French delegate, of certain countries arising out of their economic and social conditions upon the return to complete liberalization of trade. The Italian delegation shared this view, and particularly called attention to the fact that certain countries with a particular export structure would find it difficult completely to abolish discriminatory restrictions even after convertibility. The revised General Agreement should take into account this situation and his delegation would raise the question in the Working Party after Christmas. Mr. Anzilotti wished to emphasize also that the liberalization obtained for European trade within the Organization for European Economic Co-operation should be maintained and regarded as a point of departure for the extension of liberalization to all contracting parties. They supported the proposal in this connection of the Benelux countries.

Mr. BRONDI (Uruguay) referred to paragraph 5 of the report concerning arguments advanced by under-developed countries regarding the possibility to conclude bilateral agreements after a return to convertibility. He stressed that the observations made by the Brazilian delegation had convinced some delegations, his among them, and the Uruguayan delegation supported the maintenance of Articles XII and XIV in their present form.

With regard to subsidies, whether to protect economic development or for reasons of balance of payments, his delegation continued to feel that subsidies should be authorized for all products whether agricultural or manufactured. He wished to insist that where there were equal obligations there should be equal rights. With regard to quantitative restrictions, no delegation of an under-developed country, certainly not his own, could admit the limitation of the use of such restrictions to new industries only. If provision were made now for the imposition of such restrictions in order to protect existing industries there was danger of serious injury to the economies of certain countries, and instead of attaining the objective of the Agreement to enlarge and extend world trade, the result would be a reduction in the total world trade and the placing of insurmountable barriers to economic development by the less powerful countries.

Finally, Mr. Brondi wished to say that he was completely in agreement with the French delegate's views on regional agreements.

Mr. BROWN (United States), referring to the remarks of the Brazilian delegate concerning bilateral agreements, remarked that the disability to which he referred existed in the Agreement as it stood at present.

Dr. NAUDE (South Africa), referring to paragraph 6 of the progress report relating to Article XVIII, wished to add South Africa to the countries listed as reserving their positions. The position of his delegation was, if anything, stronger in that it felt that the procedure for compensatory action should be such as required no prior approval of the CONTRACTING PARTIES.

Mr. JHA (India) welcomed the procedural improvements in the new Article XVIII, but the fact that its scope was more limited than the existing article caused some disquiet to his delegation. Referring to the request for guidance from the CONTRACTING PARTIES, contained in paragraph 9 of the report, as to whether Article XVIII should apply in the case of measures authorized under Article XVIII, a useful statement had been made by the United States in the Working Party (W.9/129). Mr. Jha wished to point out that if, even after a country had received the concurrence of the CONTRACTING PARTIES for imposing measures under Article XVIII, there was still the possibility of affected parties resorting to retaliatory action, then there would be far less reason for the under-developed countries to be moderate in their demands or to abide by the rulings of the CONTRACTING PARTIES.

Dr. PRIESTER (Dominican Republic) requested that a proposal by his delegation be circulated before the recess. (This was since circulated as W.9/128 and Corr.1).

Mr. DIAS CARNEIRO (Brazil), referring to the remarks by the United States delegate, wished to emphasize that while they opposed the amendments regarding a time limit for the maintenance of quantitative restrictions after convertibility, they were not in favour of the present text either. His country was concerned at the limitation of the possibility for under-developed countries to enter into bilateral agreements after convertibility was achieved.

The CONTRACTING PARTIES took note of the report of Working Party I.

2. Addition to the Ninth Session Agenda of an item proposed by New Zealand

Mr. WHITE (New Zealand) referred to the description contained in the report of the Chairman of Sub-Group I-B (W.9/106) of the position regarding his Government's proposal to delete the provisions for special exchange agreements. He was now instructed to seek a waiver under the provisions of Article XXV:5(a) and, in view of the fact that his Government was anxious to have the matter settled at this Session, enquired as to the procedure under which he might seek this waiver.

The CHAIRMAN proposed that this request might be added to the Agenda of the Ninth Session, and if the CONTRACTING PARTIES agreed, they could decide immediately to place the item on the Agenda.

The CONTRACTING PARTIES agreed to add the request by the New Zealand Government for a waiver of the provisions of Article IV:6 to the Ninth Session Agenda.

3. General appraisal of the Review

Dr. NAUDE (South Africa) suggested that it was appropriate at this stage for the CONTRACTING PARTIES to examine the main tendencies which had emerged from the progress reports, and to enquire whether those tendencies did not perhaps prejudice the attainment of the objectives before them. His delegation believed that the General Agreement was designed to ensure that history did not repeat itself and it was to this challenge he addressed himself.

The General Agreement was not the first collective attack on barriers to international trade, and many were the conferences held in the inter-war years to deal with such matters. All those conferences had started with high hopes which were subsequently to lead to disappointment and disillusionment. In 1947, however, as the outcome of consultations lasting over several years, a relatively modest document emerged in the form of the General Agreement. Its modesty showed that it was the work of realists who knew that history would repeat itself if mankind were merely going to rely on grandiloquent resolutions of vast international conferences. For such success as the Agreement had had, thanks were due to those who attempted to formulate fair rules for international trade. The Agreement was, and continued to be, a unique milestone in the history of international economic relations.

The General Agreement was negotiated because the world was weary of national rivalries, and because it recognized the need for mutual understanding with regard to the international exchange of goods. The principles behind the Agreement were that the welfare of mankind could be promoted by tariff reductions and the elimination of discrimination, and that tariffs should be used as the only instrument to regulate the flow of international trade. The multilateral approach to international trade had come to be regarded as fundamental, and the Atlantic Charter proclaimed that there should be equal access for all nations, great or small, to supplies and markets of the world. Finally it was determined to create machinery to make mutual friendly consultation easy and natural. It was possible in 1947 to accept these principles not only because of the fears of a repetition of what followed upon the collapse of international economic co-operation during the inter-war years, but also because immediate post-war economic conditions were conducive to agreement in this realm. There was then no question of commodity surpluses, keen competition in world markets or incentive to resort to unfair trade practices. In addition, many countries were prepared to accept the underlying principles of the Agreement, particularly the commitment to negotiate tariffs, in the knowledge that it would allow them to apply quantitative import restrictions for as long as they were in balance-of-payments difficulties and would, thus, at least for a time, sanction the use of the import licence rather than tariff rates as an instrument for regulating their import trade. Moreover, agreement was facilitated by the establishment of international co-operation in other fields. Finally, the United States had appeared as the great protagonist of a more liberal approach to international trade, and there was the important assumption that the high tariffs of the United States and other countries would be reduced to reasonable levels. Such were the conditions under which the Agreement was negotiated.

What, however, was the position today? And what had happened to the objectives of the General Agreement so far? It would be generally admitted that the world had made great strides towards economic recovery and stability since 1947. War-shattered economies had been rehabilitated in various degrees, industries which had suffered great destructions and dislocation were producing goods in increasing quantity and variety. Surpluses had replaced the postwar shortages, competition was keener, and there was an increasing temptation for governments to apply artificial methods to stimulate exports. At the same time, pressure for protection of domestic producers was increasing as countries found themselves able to relax their balance-of-payments import restrictions and lesser developed areas of the world were embarking on programmes of general economic development.

These conditions were indeed very different from those prevailing when the Agreement was negotiated, but their existence made it no less imperative that the trading nations of the world should agree on a common code of conduct; in fact, the need for such a code was even greater because of the changed conditions, and nothing had happened since 1947 to show that the basic principles behind the Agreement should now be discarded.

Dr. Naude referred to the statement at an earlier meeting of the French delegate, stressing the differences between present-day conditions and those of a hundred years ago. The South African delegation did not disagree with the history, but could not share the conclusions drawn therefrom. He could not concede that the principles which were operative in the nineteenth century, and were embodied in the General Agreement, were no longer applicable. Obviously, international economic life could not, without damaging repercussions, and certainly should not, be closed up in compartments. The South African delegation was not only convinced that the principles embodied in the General Agreement were sound, but also that it was time to take heed of the signs of a threat of serious degeneration in international commercial relations. For this reason, the South African delegation wished to examine what was happening at the present Conference with regard to the more effective implementation of the principles to which all contracting parties were committed. The first objective of the Agreement was the reduction of tariff rates by means of mutually advantageous negotiation, and there considerable progress had been achieved. Yet there was evidence that tariff rates were becoming congealed, and that any prospect of further reductions was remote. Moreover, many of the tariff concessions negotiated under the Agreement still remained relatively ineffective as a result of quantitative restrictions and discrimination, and the position was worsening as a result of the increased resort to export subsidies and other incentives. After paying for tariff concessions obtained in other markets, South Africa now found entry into those markets impaired by subsidies and other devices. Specifically, a country like his found itself unable to compete in its traditional markets in Western Europe with products such as United States citrus, which entered those markets with the help of subsidies. The South African delegation and other delegations had submitted proposals during the current Session which were intended to curb such practices but apparently, to no avail. This implied that tariffs as an instrument of international trade negotiation were being rendered meaningless, and the South African Government had, therefore, begun to wonder whether the contribution it had made to international trade co-operation

through its adherence to the General Agreement had been required. As things stood, one pillar of the Agreement - the principle of tariff negotiation - had been undermined and steps must be taken to counteract this tendency.

The South African delegation was also concerned about what was happening to the principle of most-favoured-nation treatment and multilateralism. The past seven years showed that there was an increasing tendency to ignore this principle under the pretext of discrimination for balance-of-payments reasons. The South African delegation had suggested that stricter provisions should be written into Article XIV to limit the scope of discrimination practised for such reasons. During the discussion of the South African proposal, it was, however, suggested that it was unrealistic to think that this type of discrimination could be materially reduced. If such an argument were to prevail, his delegation would like to know what had become of the objective of multilateral non-discriminatory trading. South Africa, which genuinely tried to conform to the principles of the Agreement, was being regularly invited by leading contracting parties to violate principles which they had all undertaken to carry out, and told that unless it was prepared to resort to bilateralism, it would be unable to claim an opportunity of competing in their markets.

In connection with another fundamental principle, the ban on the use of quantitative restrictions, the South African delegation had found that proposals were being made at the current session, which, if accepted, would entitle a large number of contracting parties to apply protective quantitative restrictions for development purposes with the approval of the CONTRACTING PARTIES. His delegation had expressed its views in the appropriate working party, but was concerned to notice that the countries seeking this freedom had not seen their way to agree to using them only with the approval of the Organization. An even more serious departure from the fundamental objective lay in the claim made by countries, which were export markets for South African primary products to use quantitative import restrictions for the protection of their agriculture. Unless restraint were exercised by these countries, co-operation for South Africa and perhaps for other contracting parties would become extremely difficult.

There remained what, in his view, was the only really operative principle of the Agreement, consultation procedures. The South African delegation together with others had made proposals to strengthen those procedures and regretted that such proposals were meeting with strong opposition in Working Party I. It was, therefore, the duty of his delegation to enquire, on behalf of the South African Government, as to the effect of all these trends on South Africa. It seemed to him that the South African contributions to the common good were getting only scant recognition. His delegation had the impression sometimes that South Africa was the type of country which was being ground between the upper and nether millstones. The General Agreement seemed to be weighted in favour of two prototypes of economies: that in the earlier stage of development, and that in the advanced stage of development. On the one hand, South Africa noted that its exports encountered import restrictions and barriers not in conformity with fair rules of trade in its natural markets, markets in countries which insisted on liberal facilities of access for their manufactured goods into South African markets. On the other hand the growing South African export trade in industrial goods was being placed under a possible threat by requests for additional freedoms made by the "under-developed countries".

Regrettable as it was in an organization inspired by multilateral ideals, there were beginning to be not only two groups, but also a third group of countries whose economies were being put under unfair pressure. His delegation did not say that there had been a bargain made between the highly developed countries and those countries now claiming increased privileges under Article XVIII, but there was a remarkable similarity to a situation familiar to social scientists, namely the squeeze on the middle class. It almost seemed that the third group, into which South Africa was being forced, was becoming the linchpin of the Organization, being asked to pay the price to keep the Agreement from falling apart. Was the remedy for the third group also to ask for special privileges, and if so, might that not mean the end of the General Agreement?

The South African delegation, however, still had faith that an effort would be made at the current Session to meet the challenge. This was a faith that could not last indefinitely and must also answer to a parliament and public opinion. He appealed to the representatives of all contracting parties to consider during the recess the vital issues at stake. If, at the end of their deliberations, they were to produce a document which had no reasonable resemblance to the code of conduct envisaged in 1947, then they would face not only the increasing criticism of sceptics but also permanent censure.

Dr. WESTERMAN (Australia) referred to the statement of the Australian Minister to the effect that the final acceptability of the General Agreement to the Australian Government would be determined by the scope and content of the document which emerged from the discussions at the Review Session. The Australian delegation had explained in the discussion in the working parties what appeared to be their continuing problems, and tried to clarify certain issues which it was hoped delegates would be in a position to discuss with more precision and freedom after consulting their respective governments during the recess. The Australian delegation was seriously concerned, not only with the slow progress made, but with the general tone and emphasis throughout the discussions. There seemed to be a rooted unwillingness on the part of some industrialized countries to endow the General Agreement with adequate provisions to deal with problems of world trade in primary commodities and raw materials. The industrialized countries seemed so intent on tightening up such matters as modifications of schedules and the use of quantitative restrictions for balance-of-payments purposes, that they had lost sight of other matters of importance. By attempting to reduce trade barriers in only a limited field affecting about half of the world's trade, the CONTRACTING PARTIES risked making a farce of the General Agreement as a set of fair trade rules. But fair import policies, even if applied on a basis of non-discrimination as between manufactured and primary goods (which was far from assured), were not enough and had to be matched by fair export policies. Some countries which were strongly advocating fair import trade policies, in limited fields only, were not displaying the leadership that should be expected in the parallel and equally important field of fair export trade policies. It was only by an expansion of exports that the need for import restrictions could diminish, and this was particularly true of countries in process of development. Such countries could not begin to consider strict rules for import policies when they had so little assurance that they would not be denied their fair share of markets by the unfair export policies of other countries.

The larger and influential countries must demonstrate that they were willing to assume obligations of the same magnitude for them, on the export side, as the obligations they urged upon the smaller and less influential, on the import side. The Australian delegation saw little future for the General Agreement unless the CONTRACTING PARTIES took steps to remove the existing imbalance in the Agreement, and to limit the present drift towards protectionism and reliance upon unfair methods of fostering exports in primary industry. At best, one half of the trading world could obtain only a temporary advantage by seeing the impoverishment of the other half.

Mr. MACHADO (Brazil) agreed with the South African delegate that this was a moment of importance in international commercial relations. He could not share his view, however, of the realism of the Agreement and wondered whether, had the Havana Charter not been expected to enter into force, it would have been signed at all. Mr. Machado addressed himself particularly to the industrialized countries who had the greatest responsibility and possibilities of leadership. If these countries were not willing to recognize certain realities there was a serious risk of return to bilateralism. In considering co-operation in the field of international trade, countries should not limit themselves to speaking only of the tariff question, and even that in a limited way. Many other factors were involved. The Brazilian delegation had raised for example the question of marine transport, an essential factor in international trade, but the proposal had been put to one side on the pretext that the CONTRACTING PARTIES had too many fields to cover and that the GATT must be "realistic". The question of primary commodities was another one that required comprehension. The under-developed countries awaited leadership from those countries which had the major responsibility for making international co-operation work but he regretted having to say that this did not seem to be forthcoming at this Review Session. In the first place his country had been deceived by the procedure contemplated; he referred to his statement at a previous meeting concerning the method of amendment. Furthermore, when other questions of basic importance to international trade had been raised the answer was repeatedly that the CONTRACTING PARTIES already had a sufficiently wide scope, or that such matters should be referred to other organizations - organizations which in fact had nothing to do with trade. Such an attitude was not conducive to international co-operation, and international co-operation was indispensable in the realm of trade. Without trade stability there could not be political, financial or social stability and the consequences could only be most disruptive to the western world.

He appealed once again to the stronger countries to understand and face the problems of the under-developed countries which were beyond their capacities to resolve on a national plane. It was inconceivable that co-operation in the field of international trade should limit itself only to the problem of lowering tariffs. To concentrate on this question was in fact to create a discrimination between various classes of countries, and was certainly not within the spirit of the Agreement. The problems of

the under-developed countries, threats of inflation, difficulties of trade and of development, had been recognized by the United Nations as basic political problems, linked to questions of creating conditions for peace and security.

Mr. PHILIP (France) thought the South African delegate had clearly and courageously set forth the problem and he would only add what seemed to him two necessary corrections. It seemed to Mr. Philip that precisely the error of the inter-war period had been the attempt to return to the system of the nineteenth century, when conditions no longer existed that had made this system work. The world was no longer one of small or medium enterprises, but one of monopolistic competition where each large enterprise had a price policy which weighed upon the market and required the intervention of the State to defend the interests of consumers, even, sometimes, the political liberties of the country. Thus the world was now such that, in order to attain the common purpose of developing international trade, it was not sufficient to eliminate obstacles; this had to be done, but a common policy must also be defined, a correction of the existing disparities and the creation of institutions to achieve this policy. This was the great difference between the nineteenth and twentieth centuries and it should not be lost sight of. Secondly, with regard to regional efforts, it was certainly not the view of the French delegation either that the existing rules of the Agreement should be weakened, nor to pursue a policy of a compartmented economies. In seeking to increase trade, the attempt should be made to achieve such progress as possible, where it was possible. He wished to see action pursued on the two planes, the universal and the regional, at the same time. The major problem was to create the conditions conducive to positive action; among its elements were the question of the stability of the prices of primary commodities, the question of reconstituting an essentially public system adapted to the present time, the problem of a modern and effective system of international investment. If solutions could be found within the regional framework that enabled a quicker and further advance, then these should be pursued. There should be no attempt in the name of universalism to remain totally faithful to the principles of the nineteenth century, which no longer completely corresponded to existing conditions. He agreed with the South African delegate that both the ultimate and immediate objective was to resist any retreat into a system of economic autarky.

Mr. GARCIA OLDINI (Chile), referred to the comparisons which had been made with the nineteenth century, and remarked that the results achieved then were made possible because the reality accorded with the economic concepts and the dominant philosophic ideas of the time. However, over the course of time, the reality had changed while the same doctrines continued to be preached. From this discord had come catastrophe, and it seemed that the same process was about to be repeated.

Mr. J.J. DEUTSCH (Canada): I agree with the suggestion that the drafting committee should examine the necessity for the inclusion of the Australian amendment. We prefer to keep a general rule such as this as clear-cut as possible and not cluttered up with any exceptions and things of that kind. This is a general rule. We should try to keep it as clear and as simple as possible without any exceptions. Therefore I would like the sub-committee really to examine the necessity for including this.

Dr. CUSTAVO GUTIERREZ (Cuba): The Cuban delegation at this moment has not made a full judgment about the inclusion of this amendment and is not in a position to accept it here in the Commission now. We should prefer to pass it to the sub-committee.

CHAIRMAN: We will send the question to the ad hoc sub-committee we are going to set up, advising the sub-committee to seek legal assistance.

We pass on to the examination of paragraph 2. There you have in the New York text some specific comments. There is a reservation by the Chinese delegate who wished to reserve the right of his Government in case of absolute need to resort to preferences in the future, and the Chilean delegate made another proposal, and so on. But I propose to pass over these just now and go on with the full New York text of this paragraph and then afterwards we shall take the different reservations.

I beg to draw your attention to the United States proposal on page 4 of document 150. You will see that they combine here Article 17 with Article 15 in bringing in the words "or internal taxes". I wonder whether the United States delegation wants to comment more upon this proposal.

GATT but also in the Fund. There was no short cut by way of regionalism that would ensure stability to countries. A strong GATT meant strong and effective rules and adequate machinery to administer them, with the emphasis on consultation and arbitration, and a minimum of the possibilities for retaliation presently written into the Agreement. He agreed with the remarks of the Indian delegate as to the ineffectiveness of provisions which provided that if countries did not obey them then others could retaliate.

Mr. Cohen thought it was proper to empower the CONTRACTING PARTIES to supervise effectively restrictions for balance-of-payments purposes. In the field of tariffs, there should be a change from the system of unilateral procedures and provision should be made for the CONTRACTING PARTIES to intercede where negotiations broke down. Article XVIII should retain the concept of prior approval. In short, what was required of the Agreement was a rule of law that was not rigid but that called for co-operation and examination together of the various problems. Flexibility should be provided only by means of carefully formulated waivers to meet special cases.

He agreed with the delegates of Cuba and Australia that it was desirable to have a balanced Agreement. The problems should be looked at in relation to one another. He thought that the present system of four separate working parties had tended to separate issues which were, in fact, all relative. For example, the proposal for general lowering of tariffs (less persuasive, in his view, than appeared on the surface, particularly if countries requested lower tariffs together with the right to maintain quantitative restrictions) was connected with quantitative restrictions; the latter, in fact, affected every aspect of the work of the Review.

Finally, Mr. Cohen referred to the two papers submitted by his delegation one regarding special problems of dependent overseas territories (L/296) and the other on mandatory legislation (L/299) on both of which he hoped to have the views of the CONTRACTING PARTIES.

Mr. PHILIP (France) wished to clarify his remarks, in order that there should be no possible misunderstanding of the position of his delegation. France agreed completely that it was impossible to live within a closed economy and that such a policy could only lead to poverty and ruin. International co-operation was essential, but it should be positive co-operation designed to establish a framework and not only concerned with the abolition of barriers. Such co-operation should be studied first on the world plane and then, within this plane, on a regional basis.

Mr. BROWN (United States of America) agreed with the delegate of Australia that co-operation was essential and that there should be no question of one country or area benefiting from the impoverishment of another. He felt, however, that this was something very far from the wish of any country at the present meeting - in fact active efforts were being made by certain countries precisely in order to help the poorer countries. He was disturbed at the impression that the problem of the under-developed countries

was ignored, particularly the great problem of the instability of prices. If there was lack of support for entering into all these matters, it arose rather from the feeling that it was neither practicable nor wise to attempt to deal with all problems in all the different international fora. In the view of his country, the essential condition for stability of demand was that the level of consumption in the great consuming countries should remain large and steady and that its greatest contribution to this problem was to ensure that its demand for raw materials remained high and stable. His Government was directing all of its thought and energy and imagination to this end, a purpose, of course, not purely altruistic. The disagreement of his Government as to the efficacy and usefulness of commodity agreements was, as had been recognized in the working party and sub-group, an honest difference of opinion.

A number of delegations had called upon the more powerful countries, and in particular his own, to exercise responsibility and leadership. He thought that they should also recognize that, in undertaking such leadership, the country involved must make up its own mind and arrive at its own judgments, which might not always correspond to theirs.

He had been perplexed by the suggestions that the effort to tighten the rules of the Agreement would result in impeding the liberalization of trade within regional groups, in particular the Organization for European Economic Co-operation. This was certainly not the intention of his Government, nor did he see why improved GATT rules need result in retrogression in the work of trade liberalization. It was conceivable that, after convertibility, some GATT provisions might make difficulties for certain countries, but if such a case arose it was always open to the country involved to come before the CONTRACTING PARTIES and they would certainly be accorded the closest consideration.

With regard to the Review of the Agreement, the differences that had emerged within the past weeks were now clearly and sharply defined. This should not dismay any contracting party since it was precisely the purpose of the exercise of the past few days, and provided the basis upon which a firmer agreement could be reached. On specific issues he remarked that, in the field of balance of payments, the situation was obviously improved. In the field of subsidies, the Agreement was about to limit for the first time the use of subsidies and export incentives. A new concept of the problems of the under-developed countries was being written into the Agreement, and greatly simplified procedures were being provided. The CONTRACTING PARTIES were about to establish an Organization which would make more effective the operation of the Agreement and provide continuous opportunity for consultation. All these things were reasons for encouragement, and gave ample matter for delegations to consider over the recess.

The CHAIRMAN thought the discussion, which as he reminded contracting parties had originated in a suggestion by the delegation of South Africa, had been conducted in a spirit of understanding and clarified the points which should be considered by Governments over the Christmas recess.

4. Customs Administration: Consular Formalities (W.9/121) and Documentary Requirements (W.9/120)

The CHAIRMAN, in the absence and on behalf of Mr. Ashford (United Kingdom), Chairman of the Technical Group on Customs Administration, introduced the report. The Technical Group had been directed to report to the CONTRACTING PARTIES on the two items in question. With regard to consular formalities (W.9/121) the Technical Group had reviewed the statements submitted by contracting parties on steps taken towards the abolition of consular invoices and visas, so as to conform to the recommendation adopted two years ago that all such formalities should be abolished by the end of 1956. The report showed that there were now twenty countries which maintained no consular formalities, and four others which required consular invoices or visas only in certain limited circumstances. Nine other countries maintained more elaborate formalities and some of these were making arrangements to dispense with them; two countries had failed to furnish the information requested.

Under the Decision taken in 1952, contracting parties would be asked for another report next year.

Regarding documentary requirements (W.9/120) he referred to the Code of Standard Practices for Documentary Requirements for the Importation of Goods, adopted by the CONTRACTING PARTIES in 1952. The CONTRACTING PARTIES had decided to ask governments to report in 1954 on steps they had taken to bring their practices into conformity with the Code. Reports received had been examined by the Technical Group, and their report showed that, except for those countries which generally maintained consular formalities, the practices of governments were in large measure in conformity with the standards.

Mr. PEREZ CISNEROS (Cuba) regretted that his delegation had been unable to submit a report on consular formalities. He recalled that the recommendation of the CONTRACTING PARTIES was not a binding one, and therefore there was no formal obligation upon countries. Cuba maintained consular formalities, and although it wished to co-operate in this field, it did not consider it possible to abolish such formalities at the present time nor in any foreseeable future; nor was it able to undertake to observe the standard practices contained in the recommendation. The consular requirements of his Government were not in their view an obstacle to the flow of trade, and they considered them both justified and necessary. The same situation applied to documentary requirements.

Mr. HAYTA (Turkey) stated that Turkey would submit a small amendment to paragraph 3 of the Report on Consular Formalities.

The Report of the Technical Group on Consular Formalities was adopted.

The Report of the Technical Group on Documentary Requirements was adopted.

CHAIRMAN: Then the next specific comment on page 10 of the New York Draft was the reservation of the Chilean Delegation, but that reservation was further explained by the proposal they have submitted together with the Delegates of the Lebanon and Syria, and that was discussed in three long meetings of the Executive Committee and disposed of.

I remember - I was not present, but I think I remember having read - that these Delegates reserved their position; but I wonder whether it would further any useful purpose to go back upon the discussion in giving any decision.

Any comment?

The Delegate of Chile.

Mr. FAIVOVICH (Chile) (Interpretation): The Chilean Delegation have already stated they want to maintain their reservation of this clause and now accept the final Draft which will be submitted in the Report of the proper Sub-Committee.

CHAIRMAN: The Delegate of Lebanon.

Mr. HAKIM (Lebanon): Mr. Chairman, the maintenance of our reservation to Article 14 depends on whether a satisfactory solution could be found to the question of regional preferences somewhere else in the Charter, and particularly in Article 38.

Therefore I would say now that the Delegation of Lebanon would maintain this reservation to Article 14 until the question of regional preferences is satisfactorily resolved under Article 38.

That solution is satisfactory.

CHAIRMAN: We pass on now to further consideration of the text of paragraph 2. You will see in 2 (a) that there is a reference to Annexes giving lists of countries under "common sovereignty or