

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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CONTRACTING PARTIES  
Ninth Session

## SUMMARY RECORD OF THE TWENTY-SEVENTH MEETING

Held at the Palais des Nations, Geneva,  
on Wednesday, 22 December 1954, at 10.30 a.m.

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

- Subjects discussed:
1. Definitive Application of the Agreement -  
Proposal by the United Kingdom
  2. Commodity Questions
  3. New Item. Finnish Schedule XXIV:  
Adjustment of Specific Duties
  4. Item 12: Complaints: Brazilian Compensatory Concessions
  5. Item 12: Complaints: Brazilian Internal Taxes
  6. Complaints: Peru - Prohibition of Imports from  
Czechoslovakia - Statement by Czechoslovakia
1. Definitive Application of the Agreement - Note by the United Kingdom on  
the Problem of existing Mandatory Legislation (L/299)

The CHAIRMAN referred to the note by the United Kingdom (L/299) concerning the measures inconsistent with Part II of the Agreement but required by mandatory legislation which the Protocol of Provisional Application permitted governments to continue to apply. The United Kingdom delegation considered that the discussion of definitive application of the Agreement under Article XXVI and other proposals relating to existing mandatory legislation would be facilitated if there were clearer information on the situation of individual governments, and proposed that contracting parties be asked to report no later than 15 January the relevant details of mandatory legislation requiring action inconsistent with certain provisions of the Agreement.

Mr. SANDERS (United Kingdom) referred to the material difficulties which had been remarked on by the delegates of South Africa and Cuba of supplying the information requested under his delegation's proposal. The United Kingdom delegation had in mind only the more important details of mandatory legislation, and had thought that, in preparation for the Review, most governments would already have investigated this problem.

Mr. MACHADO (Brazil) said that if this proposal by the United Kingdom were adopted, he would have to reserve the position of his delegation, as he did not know whether his Government would be able or willing to supply such information.

Mr. PEREZ CISNEROS (Cuba) said that even if his Government agreed to the substance of the United Kingdom proposal, it was not materially able to produce the information requested by 15 January. He considered, however, that it was inappropriate and premature to contemplate the definitive entry into force of the Agreement before the nature of the amendments agreed to under the Review were known and studied by governments, and suggested that the discussion of definitive application should be deferred.

Dr. NAUDE (South Africa) said that his Government would try to provide the information requested by 15 January.

Mr. AZIZ AHMAD (Pakistan) appreciated the reasons for the United Kingdom proposal, but said that it might not be possible for his Government to supply this information.

Dr. WESTERMAN (Australia) understood that the United Kingdom proposal was not for a full report of all existing mandatory legislation nor that there was any question at this stage of taking positions with regard to definitive application. It was not unreasonable to request countries to supply such information as a background for the Review discussions, particularly those who had difficulties with regard to certain articles.

Mr. SEIDENFADEN (Denmark) thought it unlikely that delegations should not have some information as to their own mandatory legislation. Without information on this subject it would not be possible to discuss the Protocol of Provisional Application, transitory provisions and other matters.

Mr. COUILLARD (Canada) said that it would be most helpful, if not essential, for Working Party IV to have information on this subject. It should be made clear that the replies of delegations would be without prejudice to any discussion of the question of definitive entry into force.

preferences, which it grants to the United Kingdom, to the Colonial territories of the United Kingdom on request. Such requests have, I believe, on occasion been received, and the preferences have been granted. In other cases, they have not been received, but the attitude of the Australian Government is that if a request were received, the preference would be granted.

It is obviously rather difficult for Australia, in these circumstances, to suggest that action should be taken which would relieve us of the responsibility which we freely undertook. If it is the decision that these accordable preferences, as we have referred to them, should not be saved in the same sense as existing preferences, we would naturally be prepared to accept that; but I want to make it clear that, as far as we are concerned, we are not seeking to be relieved of an obligation which we freely entered into in the past.

CHAIRMAN: Are there any further remarks on this question?

Mr. S. RANGANATHAN (India): Mr. Chairman, I wish to say that our Delegation does not wish to pursue this suggestion further.

Dr. J.E. HOLLOWAY (South Africa): We are in complete accord with the Delegation of India.

CHAIRMAN: May I express the hope that the position of Australia in this matter may be cleared up before we terminate our work here: at any rate, before we take this Article in the second reading, and that perhaps the whole reservation may disappear.

We have now dealt with Article 14, and the remaining work will have to be done by the ad hoc sub-Committee.

The Delegate of Australia.

Dr. H.C. COOMBS (Australia): Before we leave Article 14, Mr. Chairman, I have one or two minor points to which I would like to refer in the hope that the Drafting Committee will be able to look into them. They are not matters, generally, concerning which we have listed specific amendments; but we believe they are worthy of investigation.

First of all, with regard to the preservation of existing preferences and the effect of paragraph 2 of Article 14 in precluding the establishment of new preferences or the increase of existing preferences, there are one or two minor complications of an essentially administrative character which I think need to be looked into. I will give an example which affects our own practices--it may illustrate the type of thing which I have in mind.

It is the practice in Australia to take out from particular tariff items for short periods of time--sometimes longer than others--particular classes of goods which currently are not being produced in Australia, or, in the case of a preferential item, in the countries entitled to those preferences, and the goods concerned are admitted free of duty, or at particularly low rates of duty; and in some cases they are admitted on much narrower margins of preference than apply to the article generally.

This procedure is implemented by what we refer to as a bye-law. It does not represent a change in the tariff, but takes out for purposes of avoiding unnecessarily high duties goods which it is not at the moment practicable to produce in our own country, to avoid their being subjected to unduly high rates of duty. As the circumstances which made it necessary or desirable to deal with them under the bye-law change, the bye-law is removed and they go back into the normal tariff classification to which they belong. In such an event as

Mr. PEREZ CISNEROS (Cuba) associated himself with the Chilean delegate concerning the interpretation of the Protocol of Provisional Application. He did not oppose the Chairman's proposal, but doubted whether his Government would be able to supply the information requested by 15 January. He repeated his reservation that the supplying of this information would in no way prejudice discussion of the definitive application of the Agreement.

The Chairman's proposal was agreed.

## 2. Commodity Questions

### (a) Interim Report of Working Party IV on Commodity Questions (L/297) (continued)

Mr. KOELMEYER (Ceylon) proposed two amendments to the terms of reference suggested by the United Kingdom (L/298): the insertion in the first line of "in the light of the Interim Report of Review Working Party IV", and in the fourth line of "to consider the relationship between such an agreement and the General Agreement."

Mr. MACHADO (Brazil) supported this suggestion, and proposed the deletion of the words "an interim" in the second paragraph.

He referred to the announcement that the United States had declined to take part in the United Nations Advisory Commission on Commodity Trade. This decision was consistent with United States policy in the commodity field, but nevertheless had a bearing on the attempt by the CONTRACTING PARTIES to find a solution to these matters. The support by his delegation of the proposal to establish a working party would depend to a certain extent on the attitude of the United States Government. Although he did not oppose the proposed terms of reference, he wished to record the view of his Government that no constructive solution could be reached without United States assistance.

Mr. COUILLARD (Canada) referred to the fact that the United Kingdom proposed terms of reference, unlike the Working Party's proposal, referred in greater detail to the organizational questions involved, and he wished to emphasize that this listing was not all inclusive. There were also questions of the relationship with other international organizations in the commodity field, of the functions of the CONTRACTING PARTIES with regard to a separate agreement, as well as other matters. The Report of the Sub-Group (W.9/105, paragraph 4) had referred to consequential organizational problems, and the feeling of the group was that no problem would arise in this field, on the assumption that the functions recommended for the Organization would not be too narrow to allow it to continue the work in the commodity field under the aegis of the General Agreement.

Mr. GARCIA OLDINI (Chile) proposed the addition in the first line of the words "and objectives".

Mr. SVEC (Czechoslovakia) said that the view of his Government was that the problems of international commodity trade were important for all countries of the world, not only insufficiently developed countries, and should not be left unsolved. The proposed terms of reference and the proposed letter to the Secretary-General involved, in his view, a formal decision to extend the scope of the Review beyond a mere review of the existing provisions. The proposed working party was being instructed to deal with problems of commodity trade under a separate agreement, administered and applied separately from the General Agreement. By this proposal the CONTRACTING PARTIES were being asked, in effect, to decide, before the end of the Review, on matters that should properly be decided in connection with the whole Review itself. He feared it might prejudice their positions in connection with the Review in general. The proposed letter to the Secretary-General of the United Nations was of so important a character that his delegation would have to obtain new instructions. His Government supported the activities of the United Nations Commission on Commodity Trade, and did not believe that its work would conflict with that of the CONTRACTING PARTIES. He requested that this matter, and the decision to set up a working party, be postponed until January.

Mr. COHEN (United Kingdom) recalled that the majority of contracting parties were in favour of making appropriate arrangements for the study of commodity problems under the aegis of the General Agreement, and hence Review Working Party IV had recommended the establishment of a working party. If progress were to be made in this study, it was desirable that the decision to establish this working party be made now.

Mr. MACHADO (Brazil) supported the proposal of the Czechoslovak delegate.

Mr. AZIZ AHMAD (Pakistan) remarked that the adoption of the proposal of Working Party IV implied no final commitment by the CONTRACTING PARTIES or any contracting party to decision on this question.

Mr. SVEC (Czechoslovakia) emphasized that his hesitation did not arise from any doubt that commodity trade should be regulated by some international machinery. His only doubts were as to whether the proposed working party and letter to the Secretary-General represented an efficient and suitable approach to the problem. He recalled the discussion on the Report of Working Party IV and the reference in the report of that Working Party to the undesirability of resolutions having no practical effect. There did not seem to him to be adequate safeguards that the proposed approach to these problems was not of an exhortatory rather than an effective nature. His Government had supported the United Nations Advisory Commission, and did not feel that its work should be in any way interfered with by the CONTRACTING PARTIES. However, the under-developed countries seemed to accept this proposal, and he did not wish to stand in the way of action in this field. His delegation would abstain.

Mr. MACHADO (Brazil) wished to make clear why he had suggested postponing a decision on the Working Party's report. Firstly, Brazil believed that commodity trade should be the object of international discipline; secondly that such discipline could best be provided for by the General Agreement. But international action necessitated the co-operation of all governments and, since the United States had decided not to co-operate in this field, his Government felt that the objectives of the proposed action were invalidated.

Mr. SEIDENFADEN (Denmark) said that he had been instructed to vote with the majority if it supported the proposal to establish a working party. However, the reference in the proposed terms of reference to a "separate" agreement was not covered by his instructions, and he would abstain.

Mr. FINMARK (Sweden) said that his delegation was in the same position as the delegation of Denmark, and would also abstain.

Mr. SANDERS (United Kingdom) emphasized that there was no intention of prejudging the precise degree of relationship with the CONTRACTING PARTIES which was, in fact, one of the main questions for the working party to consider. In the light of the amendment proposed by the delegate of Ceylon, the word "separate" might be deleted, and perhaps the abstentions of the delegations of Denmark and Sweden would not be necessary.

Mr. SEIDENFADEN (Denmark), in these circumstances, withdrew his abstention.

Mr. BROWN (United States) wished recorded the position of his Government on the question, a position which had already been expressed on several occasions.

Dr. WESTERMAN (Australia) regretted that the United States must disagree with the recommendation of the working party, and enquired whether there was any implication in this position that countries should continue to be bound by the provisions of the Havana Charter, Chapter VI. He wished to make clear, once again, the position of his delegation that, if the working party did not reach a satisfactory conclusion, his delegation would propose amendments to Articles XXIX and XX.

Mr. BROWN (United States) agreed with the delegation of Australia that both Articles XX:I(h) and XXIX required amendment.

Mr. Brown referred to the regrets expressed by the delegate of Brazil as to the attitude of his Government. The United States was convinced that a positive solution to the problem lay in the maintenance, increase and stability of demand in the centres of purchasing power. The United States also believed that it would assist the producers of raw materials if the obstacles to access to such markets were reduced or removed. Furthermore, it believed that a solution to the problem could be sought through an increase in consumption by finding new uses for products, improving their quality and production. The problem of producers who were dependent on one or two commodities could ultimately only be solved through diversification of their production, and there was a rôle for other countries to assist them in reaching such a solution through investment and technical assistance. These, in the view of his Government, were fruitful and constructive ways of seeking a solution to the problem of primary commodities, and ways in which the United States was willing to participate to the fullest extent.

Mr. MACHADO (Brazil), while thanking the delegate of the United States for his statement, remarked that these solutions still required international action.

Mr. PRIESTER (Dominican Republic) noted the remarks just made by the delegate of the United States. He hoped that such an approach to the problem comprehended specifically sugar; sugar coming from the Dominican Republic was still excluded from the United States market.

Dr. Priester hoped that the attitude of the United States Government to international action in the commodity field was not definitive. He thought there were grounds for such hope in the Staff Report to the Randall Commission which stated that although international commodity agreements might be considered worthy of only a limited place in United States foreign economic policy, this did not necessarily mean that the United States could make no contribution towards moderating the instability in commodity trade which lay behind the drawing up of such agreements. Among desirable ways to contribute to this, the Staff Report suggested consultation on international commodity problems. Mr. Priester referred also to the Paley Report on Resources for Freedom, published in 1952, which proposed international efforts to reduce instability through multilateral commodity agreements. Although aware of the difficulties of such international undertakings, the Paley Commission stated its belief that the alternative to "giving them a trial would be an open door to the field of restrictions and the monopolistic practices of cartels limiting production, consumption and trade". These results were the chief concern of the exporters of a limited number of primary products which, for lack of financial resources, had no access to the shelter of domestic price support programmes. The erratic behaviour of commodity markets strongly affected rates of production, volume of investment and economies of both producing and consuming nations.

Mr. Priester referred to the annual variations over the first half of the twentieth century in prices, quantities exported and total receipts. The extent of these variations prevented such countries from pursuing orderly economic lives and planning and carrying out development programmes, as well as making it difficult to create the necessary climate for foreign investment. The United States defended its negative approach on the grounds that the scope and duration of government interference in the fields of commerce and industry should be reduced to a minimum. There was, however, no mention of such a minimum with regard to agriculture, and he enquired whether the United States Government reserved to itself the right to intervene freely with regard to its own domestic agriculture, while rejecting the idea of intergovernmental co-operation in this same field. He hoped that this interpretation was not correct, since if such a divergence of attitude existed it was doubtful that the Review would be brought to a satisfactory conclusion.

Mr. Priester emphasized that his delegation was concerned much more with obtaining results in this field than with obtaining a co-ordinated set of principles and provisions to deal with commodity problems. Thus, if it were not feasible to provide for dealing with these problems within a revised agreement, they would support the indirect approach suggested by the United Kingdom.

The CONTRACTING PARTIES adopted the Report of the Review Working Party IV, subject to the reservations and remarks recorded above.

(b) The establishment of a Working Party

It was agreed to establish a Working Party on Commodity Problems with the following membership and terms of reference:

Membership:

Chairman: Mr. Peter (France)

Australia	Chile	Dominican Republic	Japan
Belgium	Cuba	France	Pakistan
Brazil	Czechoslovakia	Germany	Rhodesia and Nyasaland
Canada	Denmark	India	Turkey
Ceylon			United Kingdom

Terms of Reference:

1. To consider, in the light of the Interim Report of Review Working Party IV (L/297), specific proposals for principles and objectives to govern international action designed to overcome problems arising in the field of international trade in primary commodities and the form of an international agreement necessary to administer and apply those principles; to consider the relationship between such an agreement and the General Agreement; to consider also the relationship between the parties to such an agreement with, on the one hand, the CONTRACTING PARTIES and, on the other hand, with any other international organizations exercising responsibilities in the field of international trade in primary commodities; and to make recommendations to the CONTRACTING PARTIES.
2. To submit a report to the CONTRACTING PARTIES at the end of the present Session in the event that it is not possible at that date to submit final recommendations.

Mr. DONNE (France) thanked the CONTRACTING PARTIES on behalf of Mr. Peter for his election as Chairman.

The CHAIRMAN remarked that the United States had not been included among the members of the Working Party, but should their position in the meantime alter so as to enable them to take part, they would, of course, be welcomed. He remarked that observers would be admitted to this Working Party in the same manner as to any other.

(c) Letter to the Secretary-General of the United Nations (W.9/123/Annex II)

The proposed letter to the Secretary-General was approved.

3. Adjustment of Specific Duties in Finnish Schedule (L/286)

Mr. SAVOLAHTI (Finland) regretted that the request to place this item on the agenda of the Ninth Session had to be made so late. The relevant decision had only just been taken by the House of Representatives. As explained in the note by his delegation, his Government intended to adjust upwards the specific duties which remained in Schedule XXIV (after the transposition of a certain number to ad valorem duties at the Fifth Session) in order to take account of the depreciation of the Finnish markka in 1949 and the subsequent decline of the protection afforded by the specific duties. The new schedule would be distributed shortly to the CONTRACTING PARTIES.

The CONTRACTING PARTIES approved the addition of this item to the agenda of the Ninth Session and referred the new item to the Working Party on Schedules.

4. Complaints: Brazilian Compensatory Concessions

Mr. MACHADO (Brazil) said that his delegation had taken steps to obtain action by the Brazilian Government on this matter, and he was glad to be able to announce that the compensatory concessions granted to the United Kingdom and the United States in 1949 had been put into effect by a Decree of 11 December just passed. Brazilian law also provided that if the Executive put into effect a law that should have been enacted earlier, it was possible to obtain a refund of duties previously paid.

Mr. BROWN (United States) and Mr. SANDERS (United Kingdom) expressed their appreciation of the action of the Brazilian Government and the rôle the Brazilian delegation had taken in obtaining such action.

5. Complaints: Brazilian Internal Taxes

Mr. MACHADO (Brazil) wished to inform the CONTRACTING PARTIES that, at the same time as taking the action described above with regard to Brazilian compensatory concessions, his Government had also tried to take action on the matter of internal taxes. The Executive, however, did not have the power to eliminate the discrimination in question. A Bill was now under consideration by Congress whereby the situation would be corrected in 1955.

Mr. DONNE (France) thanked the Brazilian delegate for this information and hoped that when the measures were notified to his Government it would be possible to withdraw the item from the agenda.

6. Complaints: Peru, prohibition of imports from Czechoslovakia (L/235)

Mr. SVEC (Czechoslovakia) stated that the present Session had afforded him the opportunity of consultations with the Peruvian delegate, and he had hopes that a positive result would be announced to the CONTRACTING PARTIES.

CHAIRMAN: Does the suggestion of the United States delegate meet with the approval of the Committee? Are there any objections?

We therefore pass on to Article 24, document W/150, page 11. It starts with a general note about the Cuban reservation, but that, I take it, has already been dealt with under Article 14, because the Cuban delegate referred to Articles 14 and 24.

Has the delegate of Cuba in further remarks to make.

DR. G. GUTIERREZ (Cuba): The sub-amendments have been presented to the Secretariat for distribution among the members, and they will be sent to the sub-committee. We do not want to take the time of the Committee, but will only explain that our amendments are endorsed to make consistent both Articles 14 and 24.

CHAIRMAN: Then we pass on to paragraph 1 of Article 24. There we have a proposal by the United Kingdom delegation only dealing with the very first lines of paragraph 1, and we might perhaps dispose of that at once.

MR. R. J. SHACKLE (United Kingdom): Mr. Chairman, I need not say very much in explanation of this amendment. It is a purely verbal amendment. The text is "reciprocal and mutually advantageous negotiations", but as negotiations as such, they are not advantageous. It is purely in order to secure that verbal sufficiency that we suggest this amendment.

It is true that the first of the paragraphs in the United States amendment, which follows immediately below, is directed to the same object. I think we still have a slight preference for our own wording, but it is a mere nuance.

CHAIRMAN: Does the amendment by the delegate of the United Kingdom meet with any objection?