

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

SR.11/4

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CONTRACTING PARTIES
Eleventh Session

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SUMMARY RECORD OF THE FOURTH MEETING

Held at the Palais des Nations, Geneva,
on Monday, 15 October 1956, at 3 p.m.

Chairman: Mr. Garcia OLDINI (Chile)

- Subjects discussed:
1. New Zealand Waiver - Article XV:6
 2. Czechoslovak Waiver - Article XV:6
 3. Request by Ceylon for Releases under Article XVIII
 4. French Stamp Tax
 5. Extension of Time-Limit in Article XX:II
 6. Balance-of-Payments Import Restrictions (continued)

1. New Zealand Waiver - Article XV:6 (L/525)

The CHAIRMAN said that the New Zealand Government had submitted a report (L/525) under the Decision of 20 January 1955 advising that there had been no change in New Zealand's exchange rate or in respect of other aspects of its exchange system since the Tenth Session.

Mr. PRENDERGAST (New Zealand), referring to the report of his Government, said that there appeared to be little, if anything, new which could be profitably discussed. Last year's consultation under this head was held in conjunction with New Zealand's consultation under Article XIV:1(g) for which the background paper furnished by the International Monetary Fund had included full information on the New Zealand exchange system. His Government was willing to consult, if requested to do so, but he did not think this was necessary.

Mr. HOCKIN (Canada) suggested referring this item to the working party to be established on balance of payments questions.

It was agreed that a consultation with New Zealand should be held under the terms of the Decision of 20 January 1955 and this was referred to the working party to be established on balance of payments questions.

2. Czechoslovak Waiver - Article XV:6 (L/545)

The CHAIRMAN said that the Government of Czechoslovakia had reported under the Decision of 5 March 1955 that there had been no changes in the carrying out of foreign trade or in the field of foreign exchange since the Tenth Session.

Mr. HAJEK (Czechoslovakia) recalled that during the Tenth Session his delegation had explained the foreign exchange system and foreign trade regulations in operation in Czechoslovakia. This year's report (L/545) stated that there had been no changes in the trade and exchange fields, but his delegation was prepared to discuss the matters with the working party.

It was agreed that Czechoslovakia's report should also be referred to the working party to be established on balance of payments questions.

3. Request by Ceylon for releases under Article XVIII (L/514 and SECRET/71)

The CHAIRMAN stated that the Government of Ceylon had submitted a request to be released by the CONTRACTING PARTIES under the provisions of Article XVIII from certain obligations in order to afford special protection for the development of certain industries. This request had been circulated in document L/514 and SECRET/71 together with information relating to each of the industries, as required under the procedures established by the CONTRACTING PARTIES.

Mr. SENANAYAKE (Ceylon) said that in 1955 his Government had prepared a list of industries which could most appropriately be developed through the private sector. In order to stimulate interest in the establishment of some of these industries certain releases from income tax and profit tax for the first six years of their existence had been granted and in appropriate cases the Government had undertaken to contribute capital. A number of industries had been set up in this way, some of which would find it difficult to establish a foothold on the market unless some appropriate protective measures were given. Direct tariff protection was not always appropriate as it would not have the desired effect of securing the marketing of the products. For that purpose the Industrial Products Act had been enacted which required the importer to buy a specified proportion of the local product as a condition for obtaining a licence to import a competing product. This measure had proved an ideal instrument for overcoming consumer resistance. The present applications were related to the protection of six new local industries as set out in SECRET/71, though all of them would employ the best resources in machinery and technical skill and would guarantee to the consumer a standard product equivalent to the imported product, it was not expected that any of them could get a foothold on the market without the aid of the measures envisaged under the Industrial Products Act.

The industries in question were those producing bicycles, dry-cell batteries and accumulators, to which the Government had agreed to contribute nominal capital; that producing razor blades which was being set up exclusively with private capital; and those producing cotton sarongs and cotton towels, for which releases had already been obtained from the CONTRACTING PARTIES and were due for renewal.

The effects of the policy of economic development in Ceylon were already reflected in tangible gains in the population engaged in industry. In 1956 an estimated 16 per cent of the gainfully employed population was engaged in crafts production and industry as compared with only 11 per cent in 1946 and 14 per cent in 1953. Free education had created a substantial reserve of educated youth clamouring for more responsible positions and at present approximately half a million persons were awaiting employment. Ceylon had been fortunate in obtaining technical guidance, skill and capital to set up a number of industries which fitted into its economy admirably. Some of these industries had arisen purely from the incentive given by the Government to the private sector. Others had necessitated governmental initiative in the form of contribution of capital or partnership. In some cases because of the lack of public support no amount of effort could secure the establishment of an industry unless appropriate marketing measures were taken to overcome traditional consumer resistance. The CONTRACTING PARTIES would undoubtedly consider these six new applications with the same sympathy and understanding which they had shown in the past.

The CHAIRMAN said that in accordance with the usual practice a working party should be set up to consider the matter thoroughly. The CONTRACTING PARTIES agreed to the establishment of a Working Party on Applications under Article XVIII with the following **terms of reference** and membership:

Terms of reference:

To examine the application by the Government of Ceylon for releases under Article XVIII and to submit recommendations to the CONTRACTING PARTIES.

Membership:

Chairman: Baron C.A. Bentinck (Kingdom of the Netherlands)

Canada	India
Ceylon	Japan
Cuba	Pakistan
Czechoslovakia	Turkey
Dominican Republic	United Kingdom
France	United States
Federal Republic of Germany	

4. French Stamp Tax

The CHAIRMAN said that at the Tenth Session the CONTRACTING PARTIES had heard the complaint by the Government of the United States that the increase by the French Government in its stamp tax from 2 to 3 per cent of the customs receipts from import and export duties and taxes constituted a violation of the provisions of Article II and was contrary to Article VIII, in that the proceeds of the tax exceeded the cost of services rendered. The representative of France had recognized that a contravention of the Agreement was involved but had pointed out that the increase in the tax raised the level of tariff protection by only 0.2 per cent and that it was the intention of his Government to revise the tax as soon as possible. France had been invited to report to the CONTRACTING PARTIES at the present Session on action taken to remove this measure.

Mr. PHILIP (France) requested authority not to present the French report at this meeting but to have the item deferred to a later stage in the Session when he hoped, as a result of official discussions at present in progress, to supply information which would, he trusted, be satisfactory to the CONTRACTING PARTIES.

It was agreed to defer consideration of this item to later in the Session.

5. Extension of Time-Limit in Article XX:II (L/507)

The CHAIRMAN said that the Executive Secretary had drawn attention in his note (L/507) to the fact that the Working Party on Organizational and Functional Questions at the Ninth Session had recommended that paragraph (a) of Part II of Article XX should be retained in the amended version of the Article and that provision be made for review not later than 30 June 1960. The remainder of Part II was to be eliminated. These recommendations had been approved and the revised text of Article XX had been drawn up accordingly. From a strictly legal point of view the provisions of paragraph (a) had ceased to apply on 1 July 1955 but there was no doubt that it had been the intention of the CONTRACTING PARTIES that paragraph (a) should remain in force until 30 June 1960. In view of the delay in the entry into force of the amendments to Article XX, the Executive Secretary had submitted a draft decision for approval by the CONTRACTING PARTIES, which would have the effect of extending the time-limit for paragraph (a) in accordance with the intention of the CONTRACTING PARTIES at the Ninth Session.

It was agreed to take a vote under the provisions of Article XXV:5(a) on the draft decision extending the time-limit for paragraph (a) of Part II of Article XX. The text in L/507 was approved by 25 votes in favour and none against.

6. Balance-of-Payments Import Restrictions (continued)

The CONTRACTING PARTIES agreed to the establishment of a Working Party on Balance of Payments Questions with the following terms of reference and membership. The CHAIRMAN said that the collaboration of the Fund Mission in the work of the Working Party would be greatly appreciated.

Terms of reference:

1. To conduct consultations with Australia under Article XII:4(b) and Article XIV:1(g) and with Ceylon, New Zealand, Rhodesia and Nyasaland and the United Kingdom under Article XIV:1(g).
2. To prepare the seventh annual report on discriminatory import restrictions as required by Article XIV:1(g).
3. In the light of the discussion at the plenary meeting, to consider the proposal that contracting parties maintaining restrictions under Article XII be invited to consult with the CONTRACTING PARTIES under the provisions of paragraph 4(b) of that Article, and, in the event that the Working Party decides to recommend that such consultations should be held, to consider the arrangements and timing for the consultations.
4. In the light of the Working Party's recommendations under paragraph 3 above, to consider the arrangements for holding consultations and for preparing the eighth annual report on discrimination in 1957 as required under Article XIV:1(g).
5. To conduct the consultation with New Zealand pursuant to the Decision of 20 January 1955.
6. To conduct the consultation with Czechoslovakia pursuant to the Decision of 5 March 1955.

Membership:

Chairman: Mr. W.C. Naudé (Union of South Africa)

Australia	Czechoslovakia	Japan
Belgium	Dominican Republic	Kingdom of the
Brazil	France	Netherlands
Canada	Federal Republic of	Norway
Chile	Germany	Pakistan
Cuba	Greece	United Kingdom
	India	United States

The meeting adjourned at 3.35 p.m.