

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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CONTRACTING PARTIES  
Fourteenth Session

## SUMMARY RECORD OF THE FIRST MEETING

Held at the Palais des Nations, Geneva,  
on Monday, 11 May, at 3 p.m.

Chairman: Mr. F. GARCIA OLDINI (Chile)

- Subjects discussed:
1. Opening address by Chairman
  2. Adoption of Agenda
  3. Observer representation for Spain
  4. Balance-of-payments import restrictions
  5. German import restrictions
  6. Relations with Yugoslavia
  7. United States import restrictions on lead and zinc
  8. Chairman's Liaison Group

### 1. Opening address by Chairman

Mr. GARCIA OLDINI, opening the fourteenth session of the CONTRACTING PARTIES, recalled the sense of optimism and purpose which had characterized the work undertaken by the CONTRACTING PARTIES during the previous session, in particular their decision to embark upon a programme for trade expansion. The interim reports of the three committees which had been established to elaborate this programme would be considered during the session, but Mr. Oldini reminded the CONTRACTING PARTIES that it would be their responsibility to co-ordinate the work of these committees and, in laying down directives for future work, to bear in mind that if the co-ordinated programme were to be successful continued efforts in all three branches of the work would be necessary.

Since the previous session, the prospects for international trade had brightened. The threat of economic recession had begun to fade, and the restoration of external convertibility of a number of important currencies now provided both a reason and an opportunity for further progress in the elimination of import restrictions and in particular of their discriminatory application. The repercussions of the decline in the prices of primary commodities would however be felt for some time in some under-developed countries, which had suffered serious balance-of-payments difficulties as a result. At the same time, however, the

industrial countries which had benefited from this fall in prices and whose balance of payments had therefore improved had not contributed to a restoration in the balance of the economies of the under-developed countries by increasing foreign investments to any appreciable extent.

Since the previous session, consultations had taken place between certain contracting parties and the Member States of the European Economic Community and it was hoped that these would lead to a settlement of the differences which were still outstanding. Since the previous session there had also been extensive consultations between the Federal Republic of Germany and a number of contracting parties affected by import restrictions maintained by that country. It was hoped that these consultations too would pave the way for a settlement of these problems on a generally acceptable basis.

It was a matter for satisfaction that a number of requests to accede to the General Agreement or to become associated with the work of the CONTRACTING PARTIES had been received. During the intersessional period a working party had examined the request of Yugoslavia and it was expected that an arrangement with that country would be concluded during the session. It was also hoped to make a start in establishing closer relations between the CONTRACTING PARTIES and Poland. An application for accession by the Government of Israel would also be considered during the session.

During the session other important matters would be considered by the CONTRACTING PARTIES. They looked forward to receiving further details from the Latin American countries of their progress in evolving plans for economic integration of that area. During the intersessional period a number of technical questions, such as subsidies, State-trading, and anti-dumping, had been considered and arrangements for carrying this work forward in the future would have to be considered by the CONTRACTING PARTIES<sup>1</sup>.

## 2. Adoption of Agenda (L/969 and L/969/Add.1)

The CHAIRMAN introduced the proposed agenda for the session, containing items proposed by contracting parties and items carried forward from the previous session. The Chairman stated that it was proposed to include on the Agenda a request from the Government of Nicaragua for the authority of the CONTRACTING PARTIES to impose new duties on certain bound tariff rates.

Mr. SCHWARZMANN (Canada), referring to the Decision of 22 November 1958, proposed that the CONTRACTING PARTIES should further extend the time limit of Article XIX in connexion with the import restrictions imposed by the United States on lead and zinc, and asked that this item be included in the agenda.

The Agenda, together with these additional items, was adopted.

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<sup>1</sup>The statement by Mr. Oldini is reproduced in full in Press Release GATT/444.

Sir John CRAWFORD (Australia) asked, in connexion with item 5 of the Agenda (the Rome Treaty), that Member States of the European Economic Community should, in addition to reporting to the CONTRACTING PARTIES on their recent consultations under Article XXII, review developments within the Community since the thirteenth session. After discussion, it was agreed that the Australian request should be formulated in writing and considered further.

3. Observer representation for Spain

The CHAIRMAN announced that a communication had been received from the Government of Spain enquiring whether the CONTRACTING PARTIES would agree to Spain being represented by an observer. Although Spain was not entitled under rules 8 or 9 of the rules of procedure to send observers to meetings of the CONTRACTING PARTIES, the CONTRACTING PARTIES could decide, as had been done in the case of several other countries, to invite Spain to be represented.

The CONTRACTING PARTIES agreed that the Government of Spain should be invited to send a representative to attend meetings in the capacity of an observer.

4. Balance-of-payments import restrictions

The CHAIRMAN said that, in 1959, the CONTRACTING PARTIES would be conducting the first round of consultations under the revised provisions of Article XII. At the thirteenth session, the CONTRACTING PARTIES had appointed a committee to carry out these consultations and it had been agreed that the first group of consultations should take place during the first two weeks of the present session. The consultations would be with France, New Zealand, the Union of South Africa and the United Kingdom.

There were to have been consultations also with the Kingdom of the Netherlands but the Netherlands Government had announced in February that its external financial position no longer justified the maintenance of quantitative restrictions for balance-of-payments purposes. The Chairman congratulated the Netherlands delegation on the improvement of their country's economy which had led to this result.

The Chairman suggested that before the Committee began its work, it might be appropriate and desirable for contracting parties, so wishing, to be given an opportunity in plenary session to make any general statements relevant to the work of the Committee.

Mr. BEALE (United States)<sup>1</sup> referred to the important change in the situation which had occurred since the thirteenth session, namely, the introduction of measures by a number of contracting parties in Europe and elsewhere to establish the external convertibility of their currencies. As a result of these measures, the currencies used to finance the bulk of world trade were now

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<sup>1</sup>The statement by Mr. Beale is reproduced in full in Press Release GATT/446.

generally convertible into one another for non-residents at official rates of exchange.

The dollar area had thus lost its old geographic definition and, broadly speaking, now included not only countries in the Western Hemisphere but also the United Kingdom and a large part of Europe, as well as other countries members of the currency areas centred in Europe. Having given a few examples to illustrate the significance of the measures which had been taken, Mr. Beale summed up by saying that the broad establishment of external convertibility had generally removed the substantive distinction that had existed between the currencies of the dollar countries and the currencies of other countries, and thus had ended the relevance of this distinction to trade also and to the appraisal of balance-of-payments and exchange reserve positions.

Having mentioned some of the considerations which had made it possible for the European countries to move forward, Mr. Beale referred to the relationship between convertibility and the General Agreement. He drew attention to the fact that the principle of the most-favoured-nation or, as it is sometimes called, the principle of non-discrimination, ran through the General Agreement, which tolerated little deviation from this principle. As far as quantitative import restrictions were concerned, the provisions of the General Agreement established a close relationship between the balance-of-payments criterion and the privilege of departing from the rule of non-discrimination.

The rules in the General Agreement governing the discriminatory application of quantitative restrictions reflected the situation existing after the war, when many countries experienced extraordinary balance-of-payments problems and shortages of monetary reserves. Article XIV of the General Agreement was written to take account of this peculiar situation. The relationship between paragraph 1(b) of Article XIV of the General Agreement and Article XIV of the International Monetary Fund Agreement should also be noted.

The United States believed that the recent convertibility measures had created a new setting for commercial policy and that discrimination and bilateralism should now give way to non-discrimination and multilateralism. Mr. Beale gave examples of the various forms that discrimination in the application of import restrictions had taken in the past.

The United States considered that the advent of convertibility had refuted whatever financial logic might have been found in trade discrimination. Convertibility should mean the rapid removal of the inequalities that had proved costly to both the importing and the exporting countries concerned.

A number of countries had taken action to eliminate discrimination following convertibility. There was still much to be done however. Those contracting parties still resorting to discriminatory import practices should seize the opportunity afforded by the new financial situation.

It would be disconcerting if, in the convertibility situation, arrangements and measures were taken which resulted in the scope and incidence of discriminatory import restrictions being increased or intensified. In the view of the

United States the CONTRACTING PARTIES, at this juncture, could reasonably expect that changes in quantitative import restrictions would run in the direction of eliminating rather than expanding the impact of discrimination.

Over the years the United States had shown a reasonable degree of understanding and had not been unmindful of other countries' problems in connexion with discrimination against its imports. The post-war adjustment period was now over however. The revival of productive power and efficiency in other countries during the last ten years had caused the old arguments about dollar shortage and the unique position of United States export goods to lose their relevance.

The periodic consultations now called for under the revised Articles XII and XVIII:B of the General Agreement would enable the CONTRACTING PARTIES to examine systematically the remaining areas of discrimination and could give constructive encouragement to the elimination of discrimination.

By the timely application of the logic of convertibility to their commercial policies, contracting parties would not only promote their own immediate economic welfare, but would also make a lasting contribution to the system of multilateral trade that they had been striving for so long to attain through the General Agreement.

Mr. SCHWARZMANN (Canada) expressed his warm support for the statement made by the delegate for the United States. When the General Agreement came into being many countries, including the important trading countries of Western Europe, were faced with severe exchange difficulties arising out of the war. The international institutions established at that time had to recognize the need for transitional and exceptional arrangements to meet these temporary difficulties. As a result of these arrangements some contracting parties, including Canada, had had to face discriminatory quota restrictions established by other contracting parties. It was on the understanding that these exceptional arrangements would be abandoned as soon as the financial situation of the countries concerned made it possible, that Canada had acquiesced in arrangements which adversely affected Canadian exports and had taken part in three major tariff conferences.

Canada warmly welcomed the convertibility moves in Western Europe. This step brought the world much closer to the restoration of a truly multilateral system of trade and payments and presented a unique opportunity for the complete elimination of discrimination. The early removal of quantitative restrictions, whether discriminatory or not, should result from the greatly improved financial position of most of the countries concerned. The recently adopted proposals by the International Monetary Fund for the increase of its resources gave further justification for such measures.

Canada welcomed the substantial relaxation of import restrictions which had taken place since the last session, including the Netherlands' decision to remove such restrictions on a wide range of goods.

In conclusion, Mr. Schwarzmann stressed that, as a result of the external convertibility measures, the financial basis for discrimination no longer existed. Discrimination should, therefore, be removed; and rapid progress made towards the elimination of import restrictions generally.

Mr. STEYN (South Africa) said that he supported the important statements made by the delegates of the United States and Canada. He recalled that at the review session in 1954/55 South Africa had tried unsuccessfully to have included in the revised General Agreement rules which would place a strict limitation on discriminatory import restrictions. Since 1953 South Africa had pursued a system of non-discrimination in the interests of the concept of multilateral trade, although South Africa itself suffered from discrimination and bilateralism. Mr. Steyn felt that, particularly because of the change in the financial situation, the time had come for positive action to remove discrimination.

Dr. VAN OORSCHOT (Netherlands) said he believed that the recent measures which the Netherlands Government had taken for the removal of import restrictions maintained for balance-of-payments reasons was a step in the right direction. As a result of these measures, there only remained a limitative, negative list of import restrictions, non-discriminatory in character, and these represented only a very moderate part of the Netherlands total imports.

As was stated in a recent letter from the Netherlands Government circulated to contracting parties (L/960), it was the Netherlands' view that practically no reasonable interests of other contracting parties were affected by the remaining restrictions. For many of these there were world-wide global quotas which had been increased to 20 per cent on 1 January 1958. The Netherlands recognized that some of the remaining restrictions did not accord with the letter of the General Agreement, but hoped that the liberal spirit in which these restrictions were administered would justify a somewhat slower progress towards their complete elimination than some contracting parties might have wished for.

Mr. SWAMINATHAN (India) supported the proposal that careful thought should be given to removing all forms of discrimination which the General Agreement permitted on financial grounds. It was important to remember, however, that there were other forms of discrimination besides dollar discrimination; regional discrimination was an example of this. In the past it had been pointed out to the CONTRACTING PARTIES that India and other countries had had difficulty in finding development finance. For such countries an increase in foreign trade was essential to enable this finance to be found. India therefore requested speedy action regarding the elimination of forms of discrimination which were not justified in terms of the General Agreement.

Mr. SUJAK BIN RAHIMAN (Federation of Malaya) said that Malaya, which maintained dollar restrictions, was giving considerable thought to the best way of dealing with this problem. Following discussions with Canada some dollar restrictions had already been liberalized and it was hoped that further liberalization would follow discussions which were now going on with the United States. The Malayan Government had decided to review the restrictions at six-monthly intervals in the future.

Mr. AHMAD (Pakistan) said that, in principle, Pakistan supported the proposal put forward by the United States. However, it must be recognized that the recent moves towards convertibility did not altogether eliminate the need for discrimination. Under-developed countries were obliged to find ways of selling their surplus commodities and sometimes the only way they could do this was on a discriminatory basis with certain countries which did not engage in multilateral

trade. Mr. Ahmad hoped that the United States' proposal contemplated the continuation of deals of this sort when the need arose.

Sir John CRAWFORD (Australia) said he granted the United States and Canada the proposition which they had put forward. In fact Australia had already taken very substantial steps to remove discrimination which in the past had been based on dollar difficulties. The most recent step, taken on 1 April, raised the share of Australia's import trade, open to all currencies, to some 70 per cent. The situation would be reviewed every four months and there was a promise of quite rapid further action. It was agreed that it was in Australia's interests to proceed as rapidly as possible because of the cost advantages which would accrue. Having expressed his appreciation of the understanding of Australia's difficulties which the United States and Canada had shown in the past, Sir John Crawford made three points. Firstly, it was important to maintain the expanding trade conditions which alone could make convertibility a lasting achievement. Secondly, discriminatory import restrictions based on currency grounds were not the only ones. It was necessary to deal equally with the removal of all import restrictions, whether discriminatory or otherwise, which were not justified on balance-of-payments grounds. These included agricultural quotas and even lead and zinc quotas. The third point related to timing. After so many years of necessary discrimination it might well be that a single overnight action was not practicable, either for Australia or for other countries. The important thing was to report substantial progress at each session.

Mr. TAYLOR (New Zealand), having pointed out that New Zealand also had reduced discrimination against the dollar area, said that New Zealand's export trade was experiencing difficulties because of discriminatory restrictions imposed by some European countries under the OEEC liberalization programme. In New Zealand's view, there was no longer any justification for this continued discrimination and Mr. Taylor hoped that the Committee on Balance-of-Payments Restrictions would take account of this problem.

Mr. SANDERS (United Kingdom) said that, as he understood them, the statements made by the representatives of the United States and Canada did not suggest that all countries still applying restrictions for balance-of-payments reasons were necessarily yet in a position to remove all restrictions immediately, or that they should seek to achieve non-discrimination by the reimposition of restrictions in any particular direction. What the statements did suggest was that, in the further removal of restrictions, as and when the overall balance-of-payments position permitted, the countries concerned should aim to restrict the area of discrimination. An important consideration as one proceeded to the removal of further restrictions was the need to be able to maintain the position one had achieved by this move forward. Subject to that consideration the United Kingdom would agree with the principle that, as a country's balance-of-payments position improved, it should lessen the area of discrimination until the point was reached when discrimination can be eliminated.

Mr. BENDOZA (Peru) agreed with Australia that the problem of import restrictions should be dealt with from every possible angle and full account taken of restrictions on agricultural imports and on imports of lead and zinc.

Mr. de LACHARRIERE (France) said he wanted to be sure about the exact meaning and scope of the statements that had been made. The logic of convertibility, as referred to in the statement by the United States delegate, would require those countries which had made their currencies convertible no longer to discriminate in the application of their import restrictions. Did the representative of the International Monetary Fund also hold this view? Further, he would be glad to know what was intended to be the scope of the statement made by the United States delegate. Did the United States delegate agree with those delegations which had referred specifically to OEEC? In other words did the logic of convertibility, in his view, involve the elimination of a number of practices followed by the OEEC? Mr. de Lacharrière said he would be glad to have a reply on those points in due course to enable him to assess exactly the scope of the statement made by the United States delegate.

Mr. ANDERSON (International Monetary Fund) stated that as the significance of the recent moves to external convertibility was under consideration in the International Monetary Fund he could not at this stage provide an answer to the question raised by the representative of France or otherwise enter into discussion on this matter.

Mr. BEALE (United States) said that he would reply at a later stage to the question raised by the representative of France. In the view of his Government, the establishment of external convertibility by Member Countries of the OEEC removed any basis for continued discrimination. It was hoped therefore that these countries, in accordance with their international commitments under the GATT and the IMF, would progress as rapidly as possible towards the elimination of their discriminatory restrictions on trade.

Mr. SANTIAPILLAI (Ceylon) said that while the overall financial position of a country might justify the maintenance of restrictions on trade, with the introduction of convertibility there could no longer be any justification for continued discrimination against currency areas. Ceylon was adversely affected by OEEC liberalization measures which had not been extended even to sterling area countries outside the OEEC, and he felt that the time had come to examine all discriminatory policies and not only those which operated against the dollar area.

Mr. SVEC (Czechoslovakia) said that in the past his delegation had emphasized the importance of the principle of non-discrimination without distinction on account of differing methods and systems of trading. Some discriminatory practices against Czechoslovakia were of a non-commercial and non-economic character. Others were sometimes concealed in the kind of regional arrangements to which other delegates had referred. He therefore supported strongly those who did not wish to limit the consideration of non-discrimination to dollar discrimination only.

The CHAIRMAN, in summing up the debate, said that, as was to be expected, the various views expressed were not always in agreement. An important point was the question raised by the French representative, to which the representative of the United States had said he would reply at a later stage. It would appear, therefore, that it would be appropriate for the CONTRACTING PARTIES to continue the discussion on a general plane at some later date without prejudice, of course, to discussions which would take place in the Committee on Balance-of-Payments Restrictions.

It was so agreed.



5. German import restrictions

The CHAIRMAN recalled that arrangements had been made at the last session for multilateral consultations with the Federal Republic of Germany under Article XXII of the General Agreement to be held in January. A report on these consultations had been circulated to the contracting parties (L/966) but as these consultations would be continued in Geneva during the early part of the session, it was proposed that the item should not be brought forward for discussion until later in the session.

This was agreed.

6. Relations with Yugoslavia

The CHAIRMAN recalled that at the last session a working party had been appointed to consider the terms on which the Government of Yugoslavia might be brought into closer association with the CONTRACTING PARTIES. The working party had met in March and its report had been distributed (L/965). The working party had taken into account the unanimity of views expressed at the thirteenth session that Yugoslavia should be brought into closer relationship with the CONTRACTING PARTIES, and after the meeting and on the instructions of the working party, a draft decision and declaration had been prepared by the Executive Secretary (L/965/Add.1).

Several members of the working party and the Government of Yugoslavia had submitted certain proposals concerning the text of the draft decision and declaration. He proposed therefore that the working party should meet again and that further discussion by the CONTRACTING PARTIES should be deferred until the working party had reported further.

This was agreed.

7. United States import restrictions on lead and zinc

Mr. SCHWARZMANN (Canada) recalled that during the last session his delegation had expressed its concern about the restrictions imposed by the United States on lead and zinc under Article XIX of the General Agreement, and that in view of the commodity discussions on lead and zinc which were being held at that time under United Nations auspices the CONTRACTING PARTIES had agreed on the request of Canada to extend until the opening day of the fourteenth session the time limit of ninety days provided for in Article XIX:3(a) (L/940). As the commodity study was still under consideration in the United Nations, he proposed that the CONTRACTING PARTIES should further extend the time limit provided in Article XIX:3(a). This extension, however, should be without prejudice to any decision interested contracting parties might take to initiate appropriate action under other Articles of the Agreement, and he urged the United States to review their position and to take early steps to remove the restrictions.

It was agreed in principle that the time limit should be further extended and the secretariat was requested to prepare a draft decision.

8. Chairman's Liaison Group

The CHAIRMAN recalled that at the previous session a drafting group had been set up which had served as liaison between the Chairman and the various groups of contracting parties. As this had greatly assisted in the smooth working of the session and as it was now important to devise machinery for streamlining procedures in view of the fact that sessions would be limited to three weeks, he proposed to set up a similar group for this session.

The following representatives were nominated by the Chairman to serve on the liaison group:

Mr. W.T.M. Beale (United States)  
Mr. V.F. Bouças (Brazil)  
Sir John Crawford (Australia)  
Mr. T. Hagen (Sweden)  
Dr. W.P.H. van Oorschot (Netherlands)  
M. A. Philip (France)  
Mr. C.W. Sanders (United Kingdom)  
Mr. T. Swaminathan (India)  
Mr. E. Treu (Austria)

It was agreed that members of the liaison group should keep in touch with other delegations belonging to the same geographical area and that they would, no doubt, from time to time find it helpful to invite other representatives to meet with them. If, during the course of the session, a member of the group was obliged to be absent, the Chairman would nominate a replacement.

The meeting adjourned at 5.20 p.m.