

GENERAL AGREEMENT ON TARIFFS AND TRADE

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SUMMARY RECORD OF THE TENTH MEETING

Held at the Sankei Kaikan, Tokyo,
on Thursday, 5 November at 2.30 p.m.

Chairman: Mr. F. GARCIA OLDINI (Chile)

Subjects discussed:

1. Balance-of-payments import restrictions
 - (a) Reports on consultations under Articles XII:4(b) and XIV:1(g) - Australia, Austria, Denmark, Finland, Ghana, Italy, Japan, Federation of Malaya, Norway, Federation of Rhodesia and Nyasaland, Sweden
 - (b) Annual report under Article XIV:1(g)
 - (c) Arrangements for consultations under Articles XII:4(b), XIV:1(g) and XVIII:12(b) in 1960
2. Netherlands import restrictions
3. Publicity for liberalization measures

1. Balance-of-Payments Import Restrictions

Mr. HUGHES (United Kingdom) recalled¹ that, at the time of the Conference of Commonwealth Countries in Montreal in September 1958, and again at the end of the fourteenth session of the CONTRACTING PARTIES, the United Kingdom had been able to announce substantial relaxations of import restrictions maintained for balance-of-payments reasons. The United Kingdom Government had now decided on another big step toward the final freeing of import trade.

Effective 9 November, most of the remaining restrictions imposed on imports from the dollar and relaxation areas were to be removed. This measure would bring the United Kingdom very near to the end of the process of liberalization and the removal of discrimination. The present measures had gone substantially further than the removal of remaining dollar discrimination in that restrictions were removed on imports of many consumer goods which had hitherto been subject to quota limitations in respect of suppliers from other areas. There were few imports from the dollar and relaxation areas on which restrictions would remain:

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The full text of the United Kingdom statement is available in Press Release GATT/463.

to abolish controls which had been in force for twenty years gave rise to transitional problems which in some cases would take a little time to resolve. The action taken had broken the back of the problem so far as the United Kingdom was concerned and it was the intention to make further progress with the relaxation of outstanding restrictions as soon as possible.

(a) Reports on Consultations under Articles XII:4(b) and XIV:1(g)

The CHAIRMAN invited Mr. van Blankenstein (Netherlands), Chairman of the Committee on Balance-of-Payments Import Restrictions, to present those reports of the Committee on the consultations held in 1959 which had not already been submitted to the CONTRACTING PARTIES.

Mr. van BLANKENSTEIN stated that the Committee, which was instructed to conduct consultations with contracting parties as required under Article XII:4(b) and Article XIV:1(g) for 1959, had conducted consultations with fifteen contracting parties. The reports on four consultations (France, New Zealand, the Union of South Africa, and the United Kingdom) had been submitted to, and approved by, the CONTRACTING PARTIES at their fourteenth session. The Committee wished to submit the reports on the consultations with ten more contracting parties, together with a short report relating to the position of Italy. In the case of Italy, the Committee had agreed that it was not appropriate to hold a consultation under Article XII:4(b). The Committee's report, together with a statement by the Italian delegation, was contained in document L/1088.

In presenting the reports Mr. van Blankenstein pointed out that the free and frank exchange of views had served to enhance mutual understanding, and had contributed to the exploration of ways and means of promoting further progress in the direction of freer multilateral trade. He thanked, on behalf of the Committee, all the delegations which consulted during the year. He also thanked the representatives of the International Monetary Fund who had contributed substantially to the success of the work of the Committee. The documentation supplied by the Fund formed an important part of the basis of the discussions.

Mr. WARREN (Canada) felt that, before proceeding with the report received from the Chairman of the Balance-of-Payments Committee, he could not let pass unnoticed the important statement of the United Kingdom delegate. Canada, a dollar country, had an important interest in the United Kingdom market; an interest which for many years had been limited by the incidence of quantitative restrictions. The liberalization measures constituted a further step in the desired process of eliminating discrimination and restrictions in the United Kingdom market. He noted with pleasure that this measure was only an instalment and that further progress could be expected.

Mr. SOLLI (Norway) assured the CONTRACTING PARTIES that the Norwegian authorities would give due consideration to the points raised by the Committee during the consultation with his country. He hoped, however, that his delegation had succeeded in explaining to the Committee that Norway's balance-of-payments situation and import restrictions were influenced to a very large degree by external factors beyond national control since certain measures and policies

pursued by other countries affected Norway's export earnings seriously. The shipping industry particularly was confronted with various discriminatory practices. Present efforts to remove discrimination had Norway's full support but it was felt that too much stress was placed on the need to eliminate some forms of discrimination, while other forms which were of no less importance to world trade and to countries having a very limited range of exports, were ignored.

The consultations during the year demonstrated that liberalization measures in many countries where restrictions were justified for balance-of-payments reasons had reached the point where it could be stated that most remaining restrictions were enforced for other than balance-of-payments reasons. The Norwegian delegation at the fourteenth session had suggested that the CONTRACTING PARTIES should consider all kinds of quantitative restrictions whether or not applied for balance-of-payments reasons. He agreed however, that it may be desirable first to see the results of the work proceeding in other committees, particularly in Committee II, and his delegation, therefore, would not raise the matter again during the present session.

He considered that the consultations undertaken during the year had also shed some light on the complex subject of bilateralism. There were many forms of bilateralism, such as bilateral agreements on payments and loans as well as agreements with State-trading countries. While certain bilateral agreements were contrary to the interests of most contracting parties, others were in accordance with the General Agreement. He felt that more consideration should be given to this important question and that any study should not be limited to countries applying Article XIII.

He expressed appreciation for the important measures undertaken by the United Kingdom in the further removal of restrictions on trade.

Mr. BEALE (United States) welcomed the statement of the United Kingdom delegation that further and significant progress was being made in the liberalization of restrictions. It seemed fitting that such an announcement came at the time when attention was being directed towards the vital importance of unrestricted and expanded trade. It was felt that the United Kingdom economy would certainly benefit from such measures.

The United States delegation had followed and participated with great interest in the work of the Committee on Balance-of-Payments Restrictions. As stated by the Ministerial representative of the United States, recent developments "have opened the door to a period of great progress in international trade, but unless we move forward while we can there is the unpleasant prospect that the opportunity for progress may be lost". The CONTRACTING PARTIES depend on the Committee on Balance-of-Payments Restrictions for initiating the impetus for much of the progress that was considered so vital. He congratulated the Committee and its very able Chairman, as well as the consulting countries and the IMF for an excellent job. He felt confident that the documents of the Committee would receive, in the capitals of all contracting parties, the careful consideration they deserved.

Mr. TREU (Austria) stated that, effective 15 October 1959, discrimination against the import of industrial dollar goods had been eliminated; only a few textile items of little commercial importance were not yet liberalized. He referred to the difficulties in the liberalization of agricultural imports which his colleague had referred to at the time of the balance-of-payments consultations with Austria (see L/1018). In this context he underlined the fact that of all the OEEC countries Austria had the largest proportion of trade with eastern European countries. Because of the high percentage of trade with non-convertible currency countries and also because of the uncertainties arising out of the European economic integration schemes, no further step towards more general liberalization seemed possible at this time. He reminded the CONTRACTING PARTIES that Austria's economic recovery had been possible partly as a result of a cautious approach in questions of commercial policy.

Mr. WARREN (Canada) said that he was disturbed by the cautiousness which Austria had shown in recognizing the improvement in her balance-of-payments and reserve position. He recognized Austria's difficult geographic position and the achievements in overcoming a number of rather special difficulties. However, in the light of Austria's foreign reserve position which at present was equivalent to the value of some eight months of imports, and in view of the changed circumstances following the introduction of external convertibility, he felt that the CONTRACTING PARTIES had a right to expect that the process of eliminating discriminatory restrictions would be carried forward rather more rapidly than had been the case in the past.

Mr. JHA (India) said that he could not see any possible reason or justification for the continued discriminatory treatment of imports from the outer sterling area countries. The recent removal of dollar discrimination tended to intensify the discrimination against those countries which did not benefit from the OEEC or dollar liberalization. In the case of India, Austria discriminated not only against a few sensitive imports but it was liberalization itself which was denied. There was a growing concern over Austria's import policies in the Indian business community and the Government had been subjected to strong pressure to assure Indian exports non-discriminatory access to the Austrian market. He referred to the reservation which the Indian representative had made at the time of the balance-of-payments consultations with Austria with regard to a reconsideration of India's present import policy vis-a-vis Austria unless Indian exports were assured non-discriminatory treatment.

Mr. RYSKA (Czechoslovakia) said that certain countries while dismantling dollar import restrictions continued to impose restrictions against certain non-dollar contracting parties, including Czechoslovakia. He felt that since the introduction of external convertibility no valid reason could be invoked under the rules of the GATT to justify a continuation of discrimination against any of the contracting parties. He referred to the remarks which the leader of his delegation had made during the Ministerial debate on the difficulties which had been encountered in putting into effect, in particular with regard to certain countries, the rules for Czechoslovakia's participation in the GATT on the basis of equality and mutual advantage. The reluctance of certain countries to comply with the fundamental rules of GATT and to accord to all contracting parties without distinction equal treatment in their import regimes

did not only severely damage trade relations but it also raised an important matter of principle. He said that the continuation of discriminatory treatment would not only be a breach of the Agreement but it would also have to be considered as an expression of a policy opposed to world-wide trade co-operation. He expressed the hope that these discriminatory practices did not represent a revival of the old negative policies. He added that with a view to finding a satisfactory solution to these problems within a reasonable time his delegation intended to initiate with the respective delegations the procedure of consultations foreseen in Article XXII of the Agreement.

Mr. TREU (Austria), referring to the problem raised by the delegate for India, stressed that his Government perfectly appreciated the views expressed in the Committee during the consultation with his country. However, for reasons already outlined to the Committee, it was for the time being not possible for his Government to envisage any further step of a general character which would result in world-wide liberalization. He stressed that Austria was always ready to enter into consultation with any country in order to examine any damage allegedly caused by existing quantitative restrictions in Austria where damage was evident, Austria would make every effort to remove the cause. While it was felt necessary to maintain certain restrictions, the application of these restrictions was made in such a manner as to constitute as little an obstacle to trade as possible.

Mr. HUGHES (United Kingdom) associated himself with the remarks made by the delegate of the United States in thanking the Chairman of the Balance-of-Payments Committee. The United Kingdom delegate realized the great debt the CONTRACTING PARTIES owed to Mr. van Blankenstein's extremely painstaking, careful and skilful guidance of the Committee's important work. The report gave an encouraging picture of the progress in overcoming balance-of-payments difficulties in countries with which the consultations had taken place and perhaps a slightly less encouraging picture in the removal of discrimination and restrictions generally.

Mr. Hughes expressed sympathy with the attitude taken by the delegate of India regarding the remaining degree of discrimination existing in Austria's import control system against countries outside the dollar area.

Mr. POPOVIC (Yugoslavia) said that national economic policies, whether they were directed mainly towards rapid economic growth or towards full employment, could succeed only in a climate of international trade co-operation. While the caution of certain countries with regard to a rapid dismantling of discriminatory restrictions was understandable, he felt, nevertheless, that the very substantial improvements in the foreign reserve position of many countries should be more fully reflected in their respective trade policies. The dismantling of restrictions was particularly necessary as discrimination was the almost inevitable result if restrictions continued in operation for any length of time. Trade liberalization was a matter of particular importance for the seven-tenths of the world's population which lived in the less-developed countries. Many of these countries were rapidly losing their foreign exchange reserves due to depressed prices for their exports, insufficient foreign investment and restrictive policies affecting their main exports.

He also drew the attention of the CONTRACTING PARTIES to the problems arising out of the movement towards the building of economic blocs. This movement towards unilateralism, not so much by individual countries as by the groups of countries which united in the pursuit of a common interest, was probably something more dangerous to freer world trade than bilateralism had been in the past. He stated that he had also noted with concern the increasing tendency to attempt to solve internal social and other problems through a manipulation of foreign trade policies. Mr. Popovic noted with appreciation the co-operation of the IMF and the GATT in the effort to achieve freer multilateral trade. He added that in his opinion an even closer collaboration between these two institutions might probably result in a more rapid solution of the problems to which he had referred. In concluding, he remarked that the influence of national institutions, such as the existence of a large administrative apparatus to control foreign trade, should be given more scrutiny in the balance-of-payments consultations because the very existence of the administrative machinery was often one of the stumbling blocks to a rapid and thorough elimination of trade restrictions.

Mr. PHILIP (France) pointed to the enlightened foreign economic policy which the United States had pursued in the post-war period through the assistance given to other nations in the reconstruction and development of their economies. It was this policy which had made possible the progress towards freer trade and the move towards convertibility. He agreed with Mr. Jha that one could not stop short of liberalizing imports from the dollar area, because in the long run this would mean an intensification of discrimination directed largely against those countries which were already suffering from a number of very real economic difficulties. The recent liberalization measures should therefore be considered as the initial stage of a more universal phenomenon. He advocated that all countries, in particular the industrialized countries, pursue a policy of price stabilization for a number of primary commodities and an investment policy which would lead in consequence to a generalization and universalization of trade liberalization.

Mr. BEALE (United States) observed that there had been a remarkable recovery in Japan from the recession of 1957. Reserves had risen substantially, the balance of payments and its outlook were favourable and Japan's industry was clearly competitive, yet the degree of liberalization was quite low in comparison with other major trading industrial countries. He urged Japan, in these circumstances and in view of currency convertibility, to come forward promptly with measures to eliminate remaining discrimination and to effect a speedy relaxation of its present highly restrictive import control system.

Mr. ABE (Japan) pointed out that it had been stated by the Japanese Foreign Minister at the Ministerial meeting and by the Japanese representative during the consultation that Japan was faced with considerable difficulties such as weaknesses in the economic structure, problems of population and employment and an unfavourable trade environment. Consequently, Japan must move towards liberalization with prudence and care. He pointed out that after external convertibility had been attained Japan removed dollar discrimination to where at present only ten out of 786 items in the automatic approval licensing category remained subject to discriminatory import restrictions. At the Balance-of-Payments Committee it was made clear that all discrimination in this

category would be removed at the latest by March 1961. For most items under the automatic approval system it was being seriously considered that discrimination should be removed by March 1960. The removal of discrimination on remaining items would be accelerated as much as possible. He reported that further steps were contemplated to increase global quotas under the foreign allocation system and also to transfer items to the automatic approval system. He added that further opportunities would be provided for those manufactured goods which had not hitherto been imported in sizeable quantities.

The reports on the consultations with Australia (L/1084), Austria (L/1018), Denmark (L/1021), Finland (L/1020), Ghana (L/1019), Japan (L/1080), Malaya (L/1085), Norway (L/1086), Rhodesia and Nyasaland (L/1087) and Sweden (L/1090) were adopted.

The CHAIRMAN suggested that examination of the report on Italy should be postponed to a later meeting of the CONTRACTING PARTIES.

(b) Annual Report under Article XIV:1(g)

The CHAIRMAN explained that in accordance with established practice a draft report (W.15/1/Rev.1) had been prepared by the secretariat in consultation with the Committee on Balance-of-Payments Restrictions. He said that the report had not been completed because it was felt that the CONTRACTING PARTIES at their present meeting would wish to give further indications as to how the report should be concluded. He therefore invited the representatives to comment on the draft with a view to providing instructions for finalizing the report.

Mr. PHILLIPS (Australia) said that he considered the draft report a most useful factual summary of the discriminatory restrictions applied under Article XIV. He felt that in view of the attention which the general subject of discrimination had received during the Ministerial session it did seem desirable that in adopting this report the CONTRACTING PARTIES should add some concluding remarks on the broad subject of discrimination applied under Article XIV. He said that he agreed with the report as it stood at the moment and that his comments were directed to a further addition to the report in view of the discussions referred to above. He suggested therefore that the draft be referred back to the Committee with the request that some concluding remarks, taking account of the Ministerial debate and also of subsequent discussions, should be drafted for submission to the CONTRACTING PARTIES.

Mr. BEALE (United States) supported the suggestion made by the delegate from Australia.

The CHAIRMAN called the attention of the contracting parties applying restrictions under Article XIV, to the request, in the footnote on page 1 of W.15/1/Rev.1, that they advise the secretariat on facts relating to their own countries, and instructed the Committee to prepare a final draft in the light of the discussion on this subject.

(c) Programme and Arrangements for Consultations in 1960

The CHAIRMAN suggested that the Committee on Balance-of-Payments Restrictions be instructed to consider the 1960 consultations under Article XII:4(b), XIV:1(g) and XVIII:12(b) with the countries applying import restrictions under those Articles in the light of its experience this year, and to make proposals for consideration at a subsequent meeting of the CONTRACTING PARTIES. Since the timing of these consultations had to be considered in the light of the whole work programme of the CONTRACTING PARTIES in 1960, it was suggested that the Committee should leave this point open for consideration at a later stage of this session.

This was agreed.

2. Netherlands Import Restrictions

Mr. van COORSCHOT (Netherlands), referring back to the announcement made on 24 February 1959, stated that his country had no intention to shelter under the wings of Article XII. The reason why he mentioned the subject of the few remaining restrictions at this stage of the debate was that the present item on the agenda appeared to be a most appropriate opportunity. Mr. van Coorschot said that his Government recognized that as far as the majority of the remaining restrictions were concerned their continuation was not in accordance with the provisions of the Agreement. Therefore his delegation had informed the CONTRACTING PARTIES at the fourteenth session that they would continue in their efforts to achieve full conformity with the rules of the Agreement. He expressed the hope that the announcement which he was instructed to make would demonstrate his Government's sincere wish to make further progress in this field. Of the twenty-one industrial products which appeared in the Netherlands negative list (see L/960) four items would be liberalized before 1 January 1960, four others would be removed from the list in the course of 1960, on 31 December at the latest, and for the remaining items the study of how to bring them in conformity with the GATT rules was being continued in close co-operation with the other Benelux countries. These items were at present imported under global quotas with ample import possibilities administered in a non-discriminatory way.

Of forty-one restricted agricultural items, six would be liberalized before 1 January 1960. For the remaining items the Netherlands continued the consultation with Belgium for the purpose of bringing her obligations under the Benelux protocols in line with those under the General Agreement. He was convinced that a solution would be found.

Referring to the statement made by the United States Ministerial representative who had mentioned the Netherlands as a country which had reduced discriminatory restrictions, Mr. van Coorschot stated that his country had abolished discrimination since the declaration mentioned in L/960.

Mr. BEALE (United States) stated that he had listened with interest to the delegate of the Netherlands and would like to comment further when the subject of balance-of-payments import restrictions again appeared on the agenda.

3. Publicity for Liberalization Measures

The CHAIRMAN referred to the desirability of giving more publicity to the measures of liberalization which certain countries were expected to take in the future. These measures to liberalize trade should be more closely associated in the minds of the public with the great effort that was being made in that direction through the operation of the General Agreement. In taking their new liberalization measures governments should be encouraged to associate these measures, in their public announcements, with the General Agreement.

The Executive Secretary had given much thought to this matter and he now proposed that governments which were undertaking measures of liberalization should be invited to make use of the GATT secretariat for the dissemination of press releases which would describe such measures in detail and which would be transmitted to the press and to the contracting parties as quickly as possible. A paper outlining the details of the proposal would be distributed shortly¹. In the meantime, the Chairman strongly urged contracting parties who might be contemplating liberalization measures to give careful attention to the proposal which they would receive. He felt that if this plan could be made to work efficiently the CONTRACTING PARTIES would have a new and powerful instrument both for assisting Member Governments and for making more widely known in the public sphere the beneficial efforts which were being made through the operation of the General Agreement for the expansion of trade and the removal of restrictions.

The meeting adjourned at 5 p.m.

¹
L/1095.