

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

L/246

15 October 1954

Limited Distribution

Original: English

## REVIEW OF THE GENERAL AGREEMENT

### Proposals by the Government of the United States

#### I. GATT Organization

##### a. Separation of organizational provisions from trade rules

The GATT should be divided into two instruments with the organizational provisions in one instrument and the trade rules in the other instrument. The segregation of the organizational provisions, on the one hand, and the trade rules, on the other, should result in a more orderly and a simpler arrangement than now exists. Such a separation of the two categories of provisions would facilitate United States consideration of the results of the review.

##### b. Functions

The GATT organization would be a permanent intergovernmental body concerned with the broad field of international trade. It should serve as a forum for international discussions of trade matters and for consultation on trade disputes, sponsor tariff negotiations and conventions in the field of trade, and exercise responsibility for matters arising out of the application of the instrument containing the trade rules.

##### c. Structure

The organizational instrument should contain provisions, such as are customarily contained in the constitutions of intergovernmental organizations, to establish an organizational framework. Such provisions should, for example, cover membership, structure, functions and powers.

With regard to structure, the organizational instrument should provide for a principal organ - say, a Conference - consisting of all members, for subsidiary bodies, and a secretariat. Some provisions should be made for the establishment of a body to deal quickly and effectively with problems arising between sessions of the principal organ. This body would deal with various matters arising between sessions as assigned to it by the Conference. Membership of the body would perhaps consist of some fifteen or eighteen countries. The members would be selected so as to give adequate representation in terms of volume of trade, stage of development, and geography. For this

purpose, provision should be made for permanent and rotating membership. Provisions should also be made for the co-opting of non-members of the body when the body is called upon to deal with matters of direct interest to such non-members.

The level of representation of the body would be expected to vary from time to time in accordance with the nature of the problems with which the body would be seized.

The body would meet at such times as business required and, if necessary or particularly convenient, at places other than Geneva as well as at Geneva itself.

In view of the close working relationship which must exist between the GATT organization and the International Monetary Fund, arrangements should be made for an effective relationship between the GATT organization and the International Monetary Fund. In this connection arrangements should be made for a small staff in Washington to maintain liaison with the International Monetary Fund and to service the organization in its dealings with the Fund.

d. Specialized agency relationship

Provision should be made so that a specialized agency relationship might be established between the GATT organization and the United Nations, along the lines of the relationship which exists between the United Nations and the International Monetary Fund.

II. Article XXVIII

With reference to Article XXVIII, the United States Government has been considering means of maintaining tariff stability while still providing adequate flexibility to make such adjustments as may prove necessary. As part of its consideration of the problem, the United States Government has requested interested persons in the United States to submit their views on this subject and, in this connection, has scheduled public hearings for mid-October. Until these public views have been received and studied, the United States Government will not wish to present any definite proposals to the other contracting parties. However, subject to the outcome of these public hearings, the United States Government wishes to put before the contracting parties tentatively for their consideration a possible amendment of Article XXVIII designed to promote tariff stability with adequate latitude for necessary adjustments.

This proposal would be: (a) to eliminate permanently the rights of unilateral withdrawal which now exist under paragraph 2 of Article XXVIII and to delete the date in paragraph 1; and (b) to make the paragraph 1 procedure for re-negotiation of concessions available on a continuing basis, when the CONTRACTING PARTIES agree that "exceptional circumstances" exist.

This way of handling the Article XXVIII problem is presented in the nature of a suggestion which the contracting parties might find it useful to consider at this stage. The United States expects to be able to take a firm position on this or other alternative methods of dealing with Article XXVIII after it has examined the views of interested parties in the United States on the question.

### III. Quantitative Restrictions to Protect the Balance of Payments

The United States believes that the review of provisions of the General Agreement dealing with application of quantitative restrictions on imports and related matters (Articles XII through XV) should reflect the fundamental changes that have taken place in the international economy since the present provisions were conceived. The reconstruction and economic adjustment made necessary by the war and its aftermath have been generally completed. Convertibility of the major trading currencies now can be seen as an attainable objective instead of a distant hope. The time has therefore come, in the view of the United States, to proceed energetically toward the objective of the General Agreement to eliminate balance-of-payments restrictions.

Any rules in the GATT to accomplish this purpose should ensure that the GATT and the International Monetary Fund proceed in step in dealing with this matter. That is, the GATT should not allow quantitative restrictions for balance-of-payments reasons which are more severe than exchange restrictions which the Fund might allow for such purposes. Furthermore, the CONTRACTING PARTIES should carefully review such quantitative restrictions as might be allowed as regards their composition, effects on particular suppliers, and other trade aspects, with a view to ensuring that the protective incidence and damaging effects on other countries are minimized.

It is obvious that the effective implementation of the above will require improved co-ordination between the International Monetary Fund and the GATT CONTRACTING PARTIES. As indicated elsewhere in this memorandum, arrangements to achieve such co-ordination should be worked out at the Review session.

### IV. Agricultural Provisions

#### (a) Subsidies Affecting Exports

As indicated in earlier public statements on the subject, the United States is aware of and shares the concern of other governments over the disposition of surplus agricultural products in world markets and would be prepared to discuss the desirability of appropriate limitations with respect to the use of export subsidies and similar devices in this field on which the CONTRACTING PARTIES might reach agreement.

(b) Import Restrictions

Under existing United States legislation, notably Section 22 of the Agricultural Adjustment Act, the President may be required to impose import restrictions to safeguard domestic agricultural programs under circumstances not presently envisaged by the provisions of the General Agreement. This year the Congress of the United States has passed new legislation which incorporates the principle of flexible price supports and is designed to correct the basic problem leading to agricultural surpluses. The United States is not at present in a position to amend Section 22, and, accordingly, some way must be found to reserve the position of the United States under the General Agreement with respect to Section 22.