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GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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Ad Hoc Committee on Agenda
and Intersessional Business

SUMMARY RECORD

of the Meetings held at the Palais des Nations, Geneva,
on 30 and 31 July 1954

Chairman: Mr. L. Dana WILGROSS (Canada)

Subjects discussed: 1. Opening date of the Ninth Session
2. Procedures for Tariff Negotiations

1. OPENING DATE OF THE NINTH SESSION

The CHAIRMAN suggested that the Committee might now decide on the opening date for the Session.

Mr. BROWN (United States) said that he had considered the point raised by Mr. Garcia Oldini as to the desirability of knowing the decisions of the Rio Conference before reviewing the Agreement. He felt, however, that the early part of the review would be devoted to a consideration of proposals and counter-proposals. He did not, therefore, think that any major decision would be taken before Christmas, by which time the Rio Conference would have finished its work. When the CONTRACTING PARTIES came to take decisions, the results of the Rio Conference would be known. There was, therefore, no reason to defer the date of the review. He called on the Committee to accept the dates proposed by the secretariat, adding that he had discussed the subject with Mr. Garcia Oldini and he thought the latter now agreed.

Mr. GARCIA OLDINI (Chile) said that his point of view had not changed but consideration would have to be given to United States procedural requirements. If, therefore, a degree of coordination could be achieved between the two conferences, and no final decisions were taken by the CONTRACTING PARTIES before the end of the year, he would fall in with the proposal.

The Committee agreed to 28 October and 6 November as the opening dates for the Ninth Session and the beginning of the Review respectively. The Intersessional Committee would accordingly meet on 26 October. Details of coordination between the Rio and Geneva meetings would be worked out later.

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2. PROCEEDINGS FOR TARIFF NEGOTIATIONS

The CHAIRMAN recalled that at the Eighth Session the CONTRACTING PARTIES had instructed the Committee (SR.8/15):

- "(a) to make arrangements for the completion of the technical examination of the French proposal, the 'Low Tariff Club' proposal submitted by the Council of Europe, and any other proposals which might be submitted by governments, and
- "(b) to pursue at such time as might seem appropriate having regard to the prospect of further progress in the process of tariff reduction, the examination of the questions of principle raised by the proposals against the background of the broader question of the adequacy of the present negotiating procedures."

He suggested that members of the Committee, in discussing this question, might wish to take into account the statement by the Benelux Governments in L/210, relating to their attitude towards the French Plan. This item had a bearing on another item on their agenda, the Accession of Japan, and it would be in order for delegations to refer to the possibility of negotiations with Japan without prejudice to whatever decision might be taken later by the CONTRACTING PARTIES in that matter.

Mr. SUEZENS (Belgium) said that he would comment briefly on the French Plan for a reduction of tariff levels. As stated in document L/210, the Benelux countries considered that the Plan proposed in the report of the Intersessional Working Party represented a considerable improvement on the present negotiating practice of the CONTRACTING PARTIES and that it would decisively help in the advancement of international trade. Considering, moreover, that this would open new possibilities for the progressive reduction of customs tariffs in the future, the Benelux countries had decided to notify the Executive Secretary of their readiness in principle to accept the Plan. They were consequently prepared to participate in a conference convened on the basis of the principles formulated in the report, provided that all contracting parties to the Agreement, or at least the most important among them, were whole-heartedly prepared to do the same. They did not consider the Plan to be perfect but felt it was the best that could be achieved in the circumstances.

Further, it was their opinion that the application of the Plan for the reduction of customs tariffs should not only formally exclude the establishment or intensification by contracting parties of measures capable of nullifying its effects, but should also imply a general effort directed towards the progressive abolition of obstacles to international trade. These principles should be adopted by the CONTRACTING PARTIES when reviewing the Agreement. That meant that the Committee could not disassociate the French Plan from the review of the Agreement and the value of that Plan would depend on the Review.

He added that if the collaboration of other countries in the application of the Plan were to prove insufficient, or if the solution of questions still pending should weaken the scope and effects of the Plan, the Benelux countries, whose customs tariffs had been brought down to a relatively low level, would have to reconsider their commercial policy, especially in tariff matters, and would submit such other proposals as they might deem fit in defense of their interests. He hoped that the Benelux ideas and remarks would not pass unheeded.

Mr. BOTHA (South Africa) declared that the majority of the tariff concessions in the Schedules to the Agreement had now been in force for about six years and, with a few minor exceptions, all of them had been in force for three years. If account were taken of the scope of the concessions negotiated under the General Agreement and of the large percentage of the contracting parties' total trade covered by those concessions, he felt it could be said that the Agreement had succeeded in stabilizing tariff relations between nations at a time when that was of great importance. But when the Schedules were negotiated, they were obviously not intended to be applied indefinitely. On the contrary, the procedures of Article XXVIII had been written into the Agreement with the definite object of providing that degree of elasticity in the Schedules without which many contracting parties would have found it difficult, if not impossible, to accept it.

In 1951, at Torquay, an opportunity was provided for the negotiation of limited adjustments in the bound rates of duty and the South African Delegation believed that the results of the Torquay renegotiations had in no way detracted from the stability of the General Agreement's tariff concessions; on the contrary, they had facilitated the revalidation of the Schedules for a further period of three years as from 1 January 1951, and in that way had strengthened rather than weakened that very important sector of the whole structure of the Agreement. He therefore proposed that before the expiry of the present assured life of the Schedules, another opportunity should be given to contracting parties to negotiate limited adjustments in the bound rates. In order to preserve the multilateral character of such renegotiations, arrangements similar to those applied at Torquay should again be made; such arrangements should be completed in time to allow for any adjustment in the tariff schedules of the individual contracting parties being made effective as from 1 July 1955.

In putting forward those proposals his Delegation was mindful of the need to ensure that reductions and bindings of customs duties under the Agreement should continue to cover as much as possible of the total trade between contracting parties, who should always endeavour to safeguard the stability of the tariff concessions. At the same time, the contracting parties should not lose sight of the wider aims of the Agreement which included the raising of living standards, full employment, the full use of natural resources of all countries and an expansion of production. He wondered whether the contracting parties, in their efforts to maintain the stability of the tariff schedules, were not running a risk of imposing such rigidity in the tariff policies of the various countries as to make it impossible for the General Agreement to achieve the wider objectives just referred to.

In point of fact, customs tariffs had always been recognized by the CONTRACTING PARTIES as the only proper method of protection. Since the Agreement had been in force, many countries had been obliged to impose quantitative restrictions on imports as a means of safeguarding their monetary reserves. The binding of tariffs, he thought, made it difficult for many contracting parties to carry out their obligations under Article XII. That was a factual position from which the contracting parties could not escape and the more rigid the adherence to tariff concessions under the General Agreement the more difficult it might become for contracting parties to honour their obligations regarding the removal of quantitative restrictions.

He wondered whether by providing greater flexibility in tariff commitments, the contracting parties would not facilitate the removal of those quantitative import restrictions which had assumed a protective character. Perhaps in that way they might achieve a greater overall expansion of world trade than if governments were too rigidly tied down to their assumed tariff obligations. He felt that the task of the CONTRACTING PARTIES was to find a satisfactory formula likely to ensure a reasonable measure of continuity in tariff concessions while, at the same time, providing a degree of flexibility that would take account of ever-changing economic conditions.

Mr. DONNE (France) said he would not review the history of the French Plan because all the Committee members had an excellent knowledge of its various stages either because they had taken part in its preparation, or because of the information given in the secretariat document published last January. He only wished to recall the reasons which had led Mr. Pflimlin to submit in 1951 a scheme for a general lowering of tariffs. The French Government had noted that good results had been obtained by the multilateral negotiations at Geneva and Annecy, but that the reduction of duties following the Torquay Conference had been much more feeble. The French Government had come to the conclusion that a substantial reduction of tariffs was more likely to be achieved by an automatic arithmetical formula than on the basis of a series of bilateral arrangements. Mr. Pflimlin, in introducing his Plan, had called on all the contracting parties to collaborate in the technical study and preparation of a plan to which they could all accede. The result had been the submission of a practical plan to the Eighth Session of the CONTRACTING PARTIES. Naturally the French Government subscribed to the Plan and he was pleased to learn that the Benelux countries supported the Plan in principle.

As a result of the efforts made by the Working Party in 1953 and the interest shown by numerous delegations, the French Government had thought that the Pflimlin Plan might be put into operation as from 1955 and might replace the arrangements made at Torquay. France had followed attentively the work of the Randall Commission and had noted with satisfaction President Eisenhower's proposals to Congress and had hoped that the special powers requested by the President would be granted to him in the course of 1954. Although the American proposals did not come up to France's expectations, France was prepared to adopt them in order to see how an automatic plan for tariff reductions would work in practice. It was now known that the United States was not able to take an

active part in the Plan this year. In the mind of the French Government, however, the essential condition for the implementation of the Plan had always been the participation of all the contracting parties, or at least all European countries, in addition to the United States and Canada. In the circumstances, the French Government had been forced to defer the idea of the application of the Plan, but it hoped that President Eisenhower would receive in 1955 the special powers from Congress which would allow the Plan to be put into operation.

In the probable absence of multilateral tariff negotiations before 30 June 1955, it was essential to know whether a further prolongation of the assured life of the Schedules was envisaged. As already stated, the French Delegation had hoped that the Plan would have been in operation before that date and it had been on that assumption that it had agreed in 1953 to renew the assured life of the Schedules for eighteen months. It was, therefore, difficult for the French Government to define its attitude towards a further prolongation of the Schedules. The Delegation could only say that the French Government would be likely to submit to the CONTRACTING PARTIES proposals for changes in French tariff policy which would take account of the general situation in the French Union as well as the possible accession of new members to the General Agreement.

Baron HENTENCK (Netherlands) said that the Benelux countries had had considerable experience of the difficulties encountered by exports to countries with high tariff levels and he hoped that this aspect of the question would be taken into account by the contracting parties. On the Committee's agenda there were a number of tariff matters: the prolongation of the assured life of the Schedules, the application of the French Plan and the accession of Japan. The Netherlands Government had no strong feeling about the prolongation of the Schedules, but realized that a number of countries would have difficulty in maintaining the tariff concessions. He considered that Article XXVIII provided reasonable safeguards but did not perhaps allow enough flexibility. His Government would not wish to make obstruction on procedural issues. It was reasonable to give some freedom to countries whose tariffs were no longer suitable. They themselves had at the Eighth Session made a reservation with regard to the Netherlands Antilles and the same might apply to Surinam in the future.

As to the French Plan, the Netherlands Government felt that it was the best possible in the circumstances and would be ready to participate in a tariff conference. The Benelux countries' attitude towards the French Plan was known, but it was very desirable that the attitude of other countries should be disclosed. At all previous stages of discussion of the French Plan it had been realized that not all contracting parties were in a position to fall in with it, but now it was important that as many as possible should do so. The major complication was the United States' present inability to accede to the French Plan, but that should not prevent other countries, and especially the European countries, from acting collectively in that field. If it emerged that a number of European countries were ready to support the Plan, the CONTRACTING PARTIES might go ahead as far as possible without United States participation. If there was sufficient support for this suggestion, it might be useful to establish a working party to study what modifications of the plan might be necessary in order to make a limited beginning.

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Mr. HAGEMANN (German Federal Republic) declared that the tariff concessions under the General Agreement were of the greatest importance in providing international trade with a guarantee of stability of customs duties. The German Government, therefore, felt that the tariff concessions annexed to the Agreement should, with few exceptions, be prolonged up to the end of 1957. However, in order to achieve the objectives of the Agreement a fresh effort should be made for a further substantial reduction of tariffs. The old technique having exhausted its possibilities, the collective automatic method provided by the French Plan should be applied. With perhaps some modifications, this would be done even if it were decided to employ lower percentages and to limit its operations to industrialized countries. This study should form part of the review of the Agreement. It was, of course, to be hoped that the United States would also be able to participate. The old technique could still be usefully applied in tariff negotiations with acceding governments and with countries which were revising their tariff, as for instance Turkey and Austria.

As for the transposition of tariffs into the Brussels nomenclature, the case of the United Kingdom has shown that the examination of the transposed text by other contracting parties took a long time. It was, however, desirable that any negotiations should take place with the new nomenclature agreed to and that drafts should be submitted early in 1955. He suggested that the most appropriate date for all these negotiations would be 1 February 1955.

Mr. PEREZ-CISNEROS (Cuba) said the questions of the French Plan and of the status of Schedules after 30 June 1955 were of particular importance at this time because the review of the General Agreement was to take place in the near future. The discussions held thus far had demonstrated that governments continued to favour collective action for the attainment of the objectives set forth in the preamble to the General Agreement and also that for this purpose the rules of the Agreement should be strengthened. His Government favoured in principle any suggestions which might assist in the lowering of tariff barriers and for this reason they appreciated the French proposals which pursued the general reduction of tariffs without resorting to bilateral negotiations. They realized that for a particular group of countries with a low tariff, this new approach was probably the only way to achieve further reduction of tariffs and assist the expansion of world production and trade. They also appreciated the efforts made by the French and other governments in taking account of the special problems of countries which had economic development programmes or needed to protect their industries as well as the problems of those whose budgets were largely dependent on customs revenue.

Much as his Government appreciated these efforts and realized their value, and in spite of the degree of flexibility already introduced in the proposals, he was doubtful whether Cuba and other under-developed countries could participate. Because of the small variety of goods exported and in view of the discriminatory restrictions applied by other countries for balance-of-payments reasons, it did not seem likely that the French Plan could contribute to an increase of Cuban exports; other contributing factors included the quantitative restrictions applied under Article XI, the import monopolies and state trading, the subsidization of domestic production and high taxes. On the other hand, the provisions

of the French Plan might constitute a further obstacle to the carrying out of Cuba's development programme on account of the tariff obligations to be undertaken. Finally, the Plan would inevitably cause an unbearable loss of revenue for the State. It might be argued that if certain modifications were introduced in the Plan, the present position might change, but he believed that these modifications would have to be so numerous and so far-reaching that it would be extremely difficult to get them accepted by other countries. The Cuban Government recognized, however, that for some countries the French Plan could serve a useful purpose, and for this reason would not object to the arrangements being made for the completion of the technical examination of the Plan in the course of the Ninth Session, though in giving support to such action they did not mean to imply that they would agree that all future negotiations amongst contracting parties should be of the nature contemplated in the French Plan. Facilities should be provided for new negotiations of the so-called classical type to run concurrently with the multilateral negotiations envisaged for the accession of Japan.

In view of the fact that the assured life of the Schedules came to an end on 30 June 1955, the Cuban Government expected the Committee to recommend to the CONTRACTING PARTIES that negotiations under Article XXVIII should be held early in 1955, without prejudice to any decision which might be reached during the Ninth Session on a further rebinding of the concessions. Article XXVIII gave a right to contracting parties to make adjustments in their Schedules at the end of that period. This right, for the under-developed countries with a dynamic economy, was of vital importance and should be exercised freely subject to the procedures laid down in Article XXVIII. The fact that Article XXVIII embodied such rights placed an obligation on the other contracting parties not to oppose the use of that Article when the opportunity arose. Taking into account the difficulties encountered at Torquay and last year, a negative attitude of the Committee to the suggestion that Article XXVIII negotiations should be scheduled for 1955 would be regrettable and would also be regretted.

Mr. VALLADAO (Brazil) recalled that Brazil had not signed the Declaration extending the assured life of the Schedules. That this decision was not unrealistic was proved by the requests which, since the Eighth Session had been addressed to the CONTRACTING PARTIES for the renegotiation of items. His Government felt therefore that it was not wise to make arrangements for further tariff negotiations until the CONTRACTING PARTIES had reviewed the Agreement and the basic rules under which negotiations would be held. Only after the review could arrangements be made for negotiations to supersede the old Schedules.

Mr. NOTARANGELI (Italy) stated that the Italian Government was in favour of the extension of the validity of the Schedules beyond June 1955. As to the French Plan, he repeated the views of his Government, which had been expressed at previous sessions, that the present uncertainty about the attitude of the United States and other major trading nations in this matter obliged Italy to be cautious. Further, before the Italian Government could participate in the Plan a technical examination of some of its fundamental aspects was needed. The Italian Government therefore, while not wishing to oppose the acceptance of the Plan, wished to make a reservation with regard to participation.

Mr. GOERTZ (Austria) said that if any plan for tariff reduction such as the one under discussion should become operative Austria would gladly take part. He mentioned the inadequacy of the present Austrian tariff and the steps which were being taken to prepare a new one as described in L/217.

Mr. BROWN (United States) said that his Government was unable to take up a definite position regarding the French Plan for well-known reasons, but he wished to repeat that the Plan itself presented no technical difficulties in so far as United States participation was concerned. Legislation had been presented to Congress which technically provided for negotiations of the type envisaged in the French Plan but he could not say what the final attitude of his country would be.

His Government shared the view of many contracting parties as to the importance of stability in the world tariff structure; they recognized at the same time that, in view of the scope of the Schedules, there was need for a certain flexibility. They were not yet quite clear as to the best way of reconciling these two conflicting requirements, but he thought that any recommendation by the Committee for the holding of Article XXVIII negotiations at the beginning of next year would be rather premature. He suggested that the matter would best be decided by the CONTRACTING PARTIES at the Ninth Session when everyone would have a better idea of what they wanted.

With regard to the proposal for the accession of Japan, it had been suggested that before any decision could be taken on this matter, the CONTRACTING PARTIES would have to decide on the status of the Schedules beyond 30 June 1955. He did not consider it desirable to postpone negotiations with Japan for this reason because it did not appear at all difficult to put into effect the results of the Japanese negotiations without waiting for a decision of the CONTRACTING PARTIES on the future status of the Schedules.

Mr. FINMARK (Sweden) said that plans for tariff reduction were of great interest to his Government and, besides, the lowering of tariffs was one of the main objectives of the General Agreement. The negotiating methods so far employed to attain that objective had given important results, but it was recognized that as time went on that machinery was becoming ineffective. That was why Sweden had been greatly interested in the attempts made since the Torquay conference to devise ways and means of reducing the disparity in tariff levels and had been in favour of a multilateral system of tariff reduction along the lines of the French Plan. In the Swedish Government's opinion, obstacles to international trade should be studied as a whole, and as the French Plan was an important scheme for the furthering of international trade its completion and practical application should be pushed on without delay. He agreed with the Netherlands representative that the outcome of the efforts to reduce tariffs was bound to have a strong influence on the attitude of governments towards the assumption of strict obligations under the General Agreement. In the past Sweden had taken an active part in the technical preparation of the French Plan and would have certain observations to make during its further study.

The status of Schedules was also a matter of great concern to the Swedish Government which felt that the main problem involved was to avoid destroying the tariff stability achieved by the General Agreement when the assured life of the Schedules expired. As suggested by the Canadian representative, one way to achieve that was to agree to a further prolongation of their validity, and his Government was prepared to agree to such an extension subject to conditions of full reciprocity by all contracting parties and provided that the existing Schedules remained substantially unchanged. However, he did not feel sanguine that such a plan could be agreed upon. The possibility of modifying the Schedules had been suggested from the Chair, and Sweden would be ready to participate in such negotiations if they were desired by any considerable number of contracting parties. Such negotiations should be limited in scope and any new concessions negotiated should be for a long period, during which Article XXVIII should in principle be suspended. The actual negotiations should start not later than the beginning of next year and might run parallel with the suggested Japanese negotiations. In making these suggestions Sweden was actuated by the desire to promote tariff stability, but his Government hoped that in the meantime work on a multilateral plan for further reductions would be actively pursued.

Mr. HADJI VASSILIOU (Greece) considered the French Plan to be a good one but thought it should be put into operation progressively and piecemeal. If the Plan were to be recast, his Government would be pleased to take part in the work involved. In any event the study of the Plan should be continued. As for the Schedules, he had to announce that the Greek Government wished to recover a part of its freedom of action because it was now engaged in working out a general economic plan and in surveying its tariff rates. Perhaps during the review of the Agreement a way would be found to meet the Greek desiderata. The United States seemed in favour of maintaining the Schedules and Greece might find it best to fall in with that view.

Mr. PRENDERGAST (New Zealand) declared that the attitude of a country to the status of the Schedules must be largely influenced by the age of its tariff. For example, tariffs which had been in force since before the Second World War could not reflect the sweeping economic changes which had occurred in recent years. By June 1955 the Schedules would have been in operation for eight years. At the Eighth Session a number of countries had hesitated to accept an extension because they had expected an opportunity to negotiate some items on the expiry of the extension agreed at Torquay. The contracting parties had little experience of the working of Article XXVIII and he doubted whether it would allow them to modify their tariffs as required. It seemed extremely doubtful also that the Intersessional Committee would be prepared to interpret in an adequately liberal manner the requirement of "exceptional circumstances" when a number of items were involved.

New Zealand felt that provision should be made for the renegotiation of concessions and that there should be increased flexibility. Any proposal to extend the Schedules beyond June 1955 would probably be unacceptable to many countries including New Zealand although the incorporation of provisions providing authority to negotiate might provide ground for reconsideration. New Zealand

would have no objection to the establishment of a working party to consider such questions. He was of the opinion that the Agreement had had a considerable stabilizing effect on world trade, which nothing should be done to weaken. However, the position of young countries like New Zealand with a narrow range of production required that tariff rates should be adapted to changing economic circumstances.

Mr. REISMAN (Canada) stated that the principles of the GATT with respect to tariffs, as the Canadian delegation understood them, were broadly as follows: tariffs were the only legitimate means of providing protection to domestic industries; secondly, tariffs were to be reduced to moderate and reasonable levels through the process of mutually advantageous multilateral negotiations, and thirdly, the results of such tariff negotiations were to be bound against increase for firm periods of time so as to provide a measure of stability in the world tariff structure. The Canadian delegation considered that these basic principles continued to be sound and valid, and attached utmost importance to ensuring that their application be improved and extended. Accordingly, Canada would examine the French Plan for the reduction of tariff levels and the future status of the tariff Schedules within the framework of these principles.

With respect to the French Plan which envisaged new procedures for tariff negotiations, including arrangements for automatic tariff reductions, Canada had recognized as long ago as the Torquay conference, that the previous tariff negotiating procedures had certain weaknesses from the point of view of the smaller countries, particularly those with low tariffs. Important initiatives in finding a solution had been taken by the Benelux countries and later by France. Canada had cooperated in these efforts, and it was fair to say that considerable progress had been made in overcoming many of the technical difficulties involved in such a project. The stage had now been reached where there were no insurmountable technical problems in the way of bringing a plan along the lines of the French Plan to fruition. Development of governmental policies on this Plan were unfortunately not nearly as advanced as the technical aspects. A number of countries had already indicated their willingness to go ahead, but others, including the United States, had not yet formulated their final attitudes.

Canadian representatives had on previous occasions taken the position that if the French Plan were generally acceptable as a basis for tariff negotiations Canada would consider participation. But up to the present there had not been any general acceptance of the Plan and no thought had been given by the Canadian Government to the question of partial implementation along the lines suggested by the Netherlands. Although no decisions had been taken, it was highly doubtful whether Canada would be prepared to participate in such a programme, unless the United States were willing to play its full part. It was difficult to see what more could be done until the position of the major countries had been clarified. At that time Canada would re-examine the situation and see whether a satisfactory basis could be found for bringing the Plan into effect.

On the question of the status of the tariff Schedules after their firm life expired on 30 June 1955, the Canadian delegation believed that stability in tariff rates was one of the most important achievements of the GATT. Accordingly, it

would like to see tariff stability maintained by further extension of the validity of the tariff Schedules, and would be opposed to any general recourse to the provisions of Article XXVIII. A number of delegations had spoken in favour of renegotiating tariff concessions before June of next year. In support of this view some had pointed to the need for tariff flexibility when quantitative restrictions were being removed. Others pointed to the economic changes which had taken place since the War and to the need to adjust tariffs to adapt them to these changes. While it might be necessary to permit certain limited adjustments in special circumstances, the Canadian delegation would deplore any general raising of tariff rates in connection with the removal of quantitative restrictions. It would also regard it as a serious departure from the objectives of GATT if countries were to respond to every breath of competition with tariff increases. Competition was, after all, the life-blood of international trade and one of the basic tenets of the GATT.

The Canadian Government had not yet taken a final position on the question of rebinding the Schedules. Generally speaking it was in favour of extending them essentially in their present form. Should it prove that some countries found it absolutely necessary to make limited adjustments, the Canadian delegation expected that Canada would be prepared to cooperate in finding a solution to this problem. The Canadian delegation believed, however, that a reasonable solution could be found which would meet special difficulties, while maintaining the basic integrity of the Schedules.

Mr. HAGIWARA (Japan) said that the French Plan had been carefully studied by his Government and was regarded with favour. The Japanese Government hoped to be able to participate in that scheme when it was applied and when Japan had become a contracting party. It was not, however, clear what was the relationship between the French Plan and steps taken to lower tariffs through negotiations of the more conventional type. In particular, it was not clear how application of the Plan would affect the position of a government newly acceded to the Agreement through tariff negotiations. On the one hand, such a government would have been required to negotiate tariffs on a product-by-product basis and, on the other hand, it would have the obligation to lower the incidence of tariffs in the various sectors of its import trade. It appeared that a comprehensive view must be taken of the effects of the lowering of tariffs through the two procedures, which might either be encompassed in one general round of tariff negotiations or else they must be kept definitely separate. The Japanese delegation would be grateful for a clarification as regards the effect of the French Plan if it came into effect shortly after the conclusion of Japan's negotiations for accession.

On the question of the status of Schedules it had been proposed that their assured life be extended beyond the end of June 1955. In the case of Japan a list of items voluntarily bound by the Government vis-à-vis countries which signed the Declaration of 24 October covered almost 80 per cent of Japan's imports. If the tariff negotiations for Japan's accession were concluded by the end of May 1955 and if the resulting new Japanese Schedule were treated in the same way as other Schedules annexed to the Agreement, it would have been given an assured life of only one month.

Mr. SINCLAIR (United Kingdom) said that a wide range of views had been expressed and that over coming months the CONTRACTING PARTIES would have to find a compromise which would accommodate as many contracting parties as possible. His Government had not yet reached conclusions on all these questions, but he would indicate some of the factors which he thought would have to be taken into consideration. As regards

Article XXVIII, the United Kingdom would not wish to rule out the re-negotiation of a relatively few items which were creating special difficulties but would view with concern a combination of decisions to re-negotiate on a widespread scale which in the aggregate would affect the GATT Schedules to a considerable degree. In the first place the value of the Agreement was defended in the United Kingdom on the ground of the stability it afforded to the export trade and secondly, re-negotiation by a large number of countries on any substantial scale would inevitably have wide repercussions. It was, of course, the case that the effective incidence of many bound specific rates of duty (and the same was true of specific margins of preference) had fallen with the passage of time. This might cause difficulties in particular cases but on the other hand it should be borne in mind that this reduced incidence of specific duties had contributed to the GATT objective of reducing barriers to trade. As regards timing, he thought that it was for serious consideration if it was wise for the Contracting Parties to contemplate any extensive recourse to Article XXVIII until there was another general round of tariff negotiations, when upward adjustments in tariffs might be offset by a larger number of downward adjustments. However this might be, he felt that the matter required much more careful consideration before a decision was reached and that it would be a mistake for the Committee to attempt to make any recommendations at this stage.

As regards future general tariff negotiations, among the many factors which the United Kingdom must bear in mind, one - and perhaps the most important - factor was whether the United States would be in a position to make tariff concessions. So far as the French Plan was concerned, the United Kingdom had found that the Plan was very complicated but, so far at least, it was unable to propose anything simpler. Secondly, the Plan envisaged the freezing, to some extent, of all tariffs instead of only some tariffs as at present. In so far as countries had avoided negotiation on sensitive items in their national economy, they would perhaps require more flexibility than the Plan at present provided, in order to avoid difficulties in particular cases. No one at present knew whether, or in what form, the Kean Bill would secure Congressional approval. Until the fate of this Bill were known, we were very doubtful if study, even on a purely technical plane, of the French Plan could usefully be carried further. It has also to be remembered that during the review of the Agreement, the limited number of specialists in the various countries would be heavily occupied with the review itself.

Mr. SINGH (India) said that his Government appreciated the favourable consideration given to the position of under-developed countries in the evaluation of the French Plan. However, there remained two features in it which were difficult for countries like his own to accept. First, it had been envisaged that customs duties levied exclusively for revenue purposes would be excluded from the reductions, and in the case of India 94 per cent of the tariffs fell under that heading and only 6 per cent were protective duties. It would undoubtedly mean hardship for the country if the required reductions in the tariff incidence were to fall exclusively on this small section of the tariff. This was particularly so as the rates of protective duties in India had been fixed after careful consideration of the local cost of production and the landed cost of imports as well as other financial and economic factors. Any automatic reduction without regard to the conditions in individual industries were bound

to upset the delicate balance built into the tariff structure. Secondly, the amount of sacrifice demanded of countries in different stages of economic development could not be of the same magnitude and consequently the tariff reduction required should not be the same for all countries; the 30 per cent level envisaged in the Plan would be altogether too high for certain countries in the early stages of their development. The Indian delegation was therefore of the view that before going any further certain modifications in the principles underlying the Plan would be necessary. For example, it would be necessary that a higher degree of flexibility should be allowed in the required reductions which might take into account the present level of tariffs and the past concessions. For this purpose the secretariat might be requested to tabulate for comparison the trade covered by the tariff concessions which had been granted by contracting parties in the past.

On the question of the status of the present Schedules it would be inadvisable to consider any further prolongation of their life without an opportunity being provided to countries for adjustment. Some of the Schedules had been negotiated as long ago as 1947 and had been twice prolonged without major alteration, and on the last occasion on the clear understanding that no further prolongation would be made. Stability of existing tariffs was admittedly important, but flexibility had to be allowed especially in view of the substantial changes in the economic situation of various countries in the past six or seven years. The Indian delegation suggested that the questions of the status of existing Schedules, the pattern and timing of tariff negotiations etc., should be considered together at the forthcoming review of the Agreement and it was to be hoped that a compromise solution would be found for all of them.

Mr. GARCIA OLDINI (Chile) thought it was unlikely that the French Plan could play a very useful part at the Ninth Session. His Government was still examining the plan which had been produced with great ingenuity and a spirit of pioneering by France. In particular, it was considering how a country like Chile could reconcile its international obligations with its national interests if the Plan were applied. In view of the difficulties inherent in the plan the Chilean Government thought that for the present the old procedures for tariff reduction should still be used and that consequently tariff negotiations could still serve useful purposes. The Government was aware of the value of stability in tariffs, but considered that Article XXVIII had been included in the Agreement for a definite purpose. The validity of the present Schedules could not be prolonged indefinitely without substantial modification in certain cases in view of the changes in economic conditions. There was no reason why these negotiations for tariff adjustment could not be carried out before the review of the Agreement was completed. If negotiations were started this year their results might become available by the end of February 1955. Legally these results could not be put into force until 1 July 1955, but they would be regarded by governments and the trading communities as a valuable indication of the level of future tariffs. The advantage lay in the fact that concrete tariff schedules would be awaiting the coming into force of the new instruments resulting from the review and that there would not be a period of uncertainty up to the end of June 1955.

The meeting rose at 1 p.m.