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GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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Intersessional Committee

SUMMARY RECORD OF THE MEETING

held at the Palais des Nations, Geneva, on
Thursday, 12 March 1959, at 3 p.m.

Chairman: Mr. T. SWAMINATHAN (India)

- Subjects discussed:
1. Election of Chairman
 2. Consultations under United Kingdom Waiver
 3. Application by Turkey for Authority to adjust specific duties in Schedule XXXVII

1. Election of Chairman

Mr. T. SWAMINATHAN (India) was elected Chairman for the day's meeting.

2. Consultations under the United Kingdom Waiver (SECRET/103)

In document SECRET/103 the United Kingdom notified to the CONTRACTING PARTIES its intention to invoke the Decision of 24 October 1953 (BISD, 2nd Supplement, P. 20), as amended by the Decision of 5 March 1955, 3rd Supplement, p. 25). Three contracting parties had requested consultations. The United Kingdom Government pointed out to one of them that it did not have a substantial interest and to the other two that it could not agree that there was a likelihood of substantial diversion of trade. Two contracting parties withdrew their request; the third, the Federal Republic of Germany, did not feel able to do so.

The United Kingdom then requested the CONTRACTING PARTIES, under paragraph (d) of the procedures annexed to the Waiver, for a speedy determination of the question. In accordance with the special intersessional procedures for cases under the United Kingdom Waiver (BISD, 3rd Supplement, p. 13) which provide for the appointment by the Chairman of the CONTRACTING PARTIES of an ad hoc Panel of Experts, the Intersessional Committee was asked - in the absence of the Chairman of the CONTRACTING PARTIES - to appoint such a panel with the task of making the required determination under paragraph (d) of the aforesaid procedures.

The Committee agreed to the appointment of a Panel composed as follows:

Mr. J. Cappelen (Chairman)
M. J. Etienne
Mr. W. F. Stone

Mr. ELSON (Germany) wished to reserve his Government's right of appeal if it were not satisfied with the Panel's findings.

Mr. HEINEMANN (United Kingdom) stated that his Government would accept the Panel's findings.

(The Report of the Panel has since been published in document SECRET/105.)

3. Schedule XXXVII - Turkey: Adjustment of Specific Duties

At the request of the Austrian Observer, the Government of Austria was co-opted by the Committee.

Mr. CUHRUK (Turkey) introduced his Government's application by referring to the conversion of specific into ad valorem rates carried out, with respect to Schedule XXXVII, by his Government in 1954. Some specific duties had however remained in their tariff and, consequently, were kept in their Schedule. Since then, the Turkish Government had, on 4 August 1958, reformed the exchange system with the result that the Lira equivalent of one US dollar had been increased by 219.45 per cent. This exchange reform had the concurrence of the International Monetary Fund. His Government considered therefore that the application of the new effective exchange rate entitled them to readjust their specific duties in accordance with the provisions of Article II:6(a) of the General Agreement. The ad valorem incidence of the items contained in the list annexed to GATT/AIR/153(SECRET) varied between 6 per cent and 11 per cent, except for the last four items which had incidences of less than 5 per cent. With respect to the latter he called attention to a note in the Turkish Schedule authorizing his Government to raise to 5 per cent, or to an incidence equivalent to 5 per cent, any specific duty having an ad valorem incidence not higher than 5 per cent. Although authority for the adjustment would not be needed, the items had been included in the list annexed to their application for reasons of domestic legislation. He also asked that the item "cinematographic films" be completed by the sub-items 37.06 and 37.07.

Mr. ANDERSON (International Monetary Fund) stated that, on 19 June 1947 the initial par value of the Turkish Lira was established under the Fund's Articles of Agreement at £T 2.80 per US dollar. This par value had remained unchanged, i.e., had continuously been recognized by the Fund. On 21 April 1951, the date of the Torquay Protocol, the official selling rate (i.e., exchange rate applying to imports) was £T 2.8252 per US dollar. Subsequently, an increasing number of multiple rates of exchange were introduced which, in effect, meant a partial depreciation of both buying and selling rates. These practices were introduced and maintained consistently with the Fund's Articles of Agreement. With effect from 4 August 1958, Turkey had introduced a revision of the foreign exchange system, an action taken consistently with the Articles of Agreement of the Fund. Part of this revision was the establishment of a single effective selling rate through the application of an exchange surcharge of £T 6.20 per US dollar. The addition of the surcharge to the old official selling rate resulted in a rate of £T 9.0252 per

US dollar which currently applied, inter alia, to all imports. Mr. Anderson was able to certify that this rate was recognized by the Fund. The Fund welcomed the comprehensive stabilization programme, of which the exchange rate modifications were an integral part, and the simplification of the exchange rate structure entailed in the introduction of the new foreign exchange system.

Mrs. POTTER (United States) called attention to a technical, legal difficulty which arose from the fact that Article II:6(a) as at present in force took account only of reductions of "par value". She hoped it would be possible to find some way out of this difficulty, particularly in view of the fact that the "revised" paragraph would seem to meet the case.

Mr. WYNDHAM WHITE (Executive Secretary) said he had intended to draw the attention of the Committee to their difficulty. He said it had been recognized at the Review Session that paragraph 6(a) did not in its present form reflect the real intentions of the CONTRACTING PARTIES which were that the provisions should operate with respect to reductions in the rate of exchange. The text was for this reason revised and the words "rate of exchange recognized by the Fund" had been added. In earlier cases relating to Greece and Finland the contracting parties had in practice adopted the attitude which was now embodied in the revised Article III:6(a). If the Committee agreed on the substance of the matter he thought a draft Decision could be submitted to the CONTRACTING PARTIES, on the lines of the draft before the Committee, expressing the hope that it would receive at least a two-third majority so that the strictest voting requirements would be covered.

After a discussion in the course of which there appeared a wide measure of support for the Turkish application, the Committee agreed to ask the Executive Secretary to submit the draft Decision to the contracting parties for their vote, as soon as possible, by postal ballot. (The Decision has been circulated to contracting parties in GATT/AIR/157 (SECRET).)

The meeting adjourned at 4.30 p.m.