The Eighth Session of the Contracting Parties to the General Agreement on Tariffs and Trade opened at Geneva on 17 September 1953. The Session, which is one of the regular business meetings of the representatives of the governments that are contracting parties to GATT, is expected to continue for some five or six weeks.

The Chairman of the Contracting Parties is Mr. Johan Melander, Director of Commercial Policy, Ministry of Foreign Affairs, Norway.

There are today 33 countries which comprise the Contracting Parties to the General Agreement. The full list of contracting parties together with other governments and intergovernmental agencies represented at this Session by observers is given on the final page of this guidance.

In the comments which follow on the main items of the agenda a rough and ready division has been made, for the convenience of press correspondents, into

a) items arising out of the operation of the GATT, including items falling under the Complaints Procedure;

b) tariffs and tariff negotiations;

c) administrative barriers to trade;

d) the administration of the GATT, and miscellaneous items.

There is of course no formal division of this kind in the work of the Session. On certain items, where detailed information has not yet been made available, further descriptive comments will be issued later.
BALANCE OF PAYMENTS IMPORT RESTRICTIONS: CONSULTATIONS TO BE HELD UNDER ARTICLE XII:4(b) AND ARTICLE XIV:1(g)

GATT contains a general ban on the use of prohibitions or quota restrictions on imports and exports. However, certain exceptions are provided to permit the use of restrictions in defined circumstances, of which the most important is the need to safeguard a country’s external reserve position and balance of payments. This exception is contained in Article XII.

GATT also contains a provision that where quantitative restrictions are imposed they shall in general be applied without discrimination as between the contracting parties. Special arrangements are, however, provided in Article XIV for the discriminatory application of balance-of-payments restrictions during the so-called post-war transitional period.

Under Article XIV:1(g) the Contracting Parties are required to report annually on all discriminatory practices in force. Three such annual reports have been made and the fourth report will be drawn up at this Session. The Contracting Parties are also required to hold consultations each year with those governments which maintain discriminatory restrictions under certain provisions of the Agreement, which are not directly related to analogous provisions of the Articles of Agreement of the International Monetary Fund. Such consultations have been initiated by seven governments.

Quite apart from the question of discrimination the Contracting Parties may, under the terms of Article XII:4(b), invite any government maintaining such restrictions to consult, especially when there is a question of intensification. Consultations of this nature have been instituted with nine governments and these will also take place at the Eighth Session.

ACCESSION OF JAPAN

In July 1952 Japan, which is the nation with the largest external trade remaining outside the GATT, requested an opportunity to enter into tariff negotiations with the contracting parties with a view to accession. Japan’s application was discussed at the Seventh Session in October 1952 when the question of the timing and conditions for her accession was referred to an Intersessional Committee. The Intersessional Committee which met in February 1953, made a study, for the consideration of the Contracting Parties, of possible safeguards against any country which caused a disruption of normal trading conditions.

At this Session the application of Japan will be viewed against the fact that it is not possible at present to make arrangements for tariff negotiations and, therefore, that the Contracting Parties cannot proceed with Japan’s application for formal accession. The Contracting Parties will have before
them a proposal by the Japanese Government for provisional participation in the GATT by which Japan's commercial relations with contracting parties would be regulated by the GATT during the period before tariff negotiations can be arranged. Details of this and of any other proposals which are put forward will be given in due course.

DIFFICULTIES ARISING OUT OF THE APPLICATION OF ARTICLE I, GENERAL MOST-FAVOURED-NATION TREATMENT

Before summarizing the substance of this item which has been proposed by the United Kingdom it may be helpful to set out a short background. First, the GATT member countries have bound against increase the tariff duties contained in the GATT schedules; they are free to increase import duties on items which are not contained in the GATT schedules. Secondly, Article I of GATT is the basic provision which requires the exchange of most-favoured-nation treatment by the contracting parties; with regard to import duties any "advantage, favour, privilege or immunity" granted to any country must be accorded, unconditionally, to all other contracting parties. Article I recognizes existing preferential arrangements in respect of import duties but does not permit the "margin of preference" (i.e., the difference between the most-favoured-nation rate of duty and the preferential rate) to be increased.

The United Kingdom is one of the countries which has preferential arrangements with certain other countries, namely the Commonwealth countries and dependent territories. Under these arrangements, the United Kingdom follows a traditional policy, reflected in its tariff legislation, of according entry free of duty to most imports from the Commonwealth. The purpose of the United Kingdom application to the Contracting Parties is to enable the United Kingdom, consistently with the basic provisions of the GATT, to continue the duty-free entry for Commonwealth goods, notwithstanding any increases in tariff rates that might from time to time be found necessary.

The United Kingdom has made it clear that they intend to seek a solution to their special problem which is consistent with basic GATT provisions and that the purpose is to secure for the United Kingdom the same autonomy as other countries enjoy to use the tariff in relation to their own domestic needs, though they have no intention of embarking on a comprehensive or widespread upward revision of their tariff. The matter is viewed as an essentially technical problem of placing the United Kingdom on the same footing as other GATT members so far as items not bound under the GATT are concerned.

The United Kingdom's proposals are limited to presently unbound items and are designed to provide safeguards for the interests of non-Commonwealth countries where an increase in the margin of preference, following an increase in the protective tariff might involve the likelihood of substantial diversion of trade to Commonwealth countries.
Items Falling under the Complaints Procedures

UNITED STATES IMPORT RESTRICTIONS ON DAIRY PRODUCTS

At the Sixth Session in 1951 the delegates of the Netherlands and Denmark supported by the delegates of Italy, New Zealand, Norway, Australia, France and Canada, complained that the effect of the restrictions on imports introduced by the United States under Section 104 of the United States Defense Production Act constituted within the meaning of Article XXIII a nullification or impairment of concessions granted by the United States and that the restrictions constituted an infringement of Article XI. The restrictions came into effect on 9 August 1951. The Contracting Parties recognized that the complaints were justified, but in view of the serious efforts being made by the Executive Branch of the United States Government to have Section 104 repealed, the Contracting Parties agreed to leave the matter on the agenda. When the United States Defense Production Act was renewed in July 1952 Section 104 was retained with certain amendments which had the result of moderating the severity of the restrictions.

At the Seventh Session the Contracting Parties agreed that by not repealing Section 104 the United States was still infringing the obligations of the GATT and recommended that the United States Government should continue its efforts to secure the repeal of Section 104 as the only satisfactory solution of the problem.

At the Seventh Session the Netherlands proposed, under Article XXIII:2, to restrict its imports of wheat flour from the United States during 1953, to compensate for the damage suffered to Netherlands exports owing to the restriction imposed by Section 104. The Contracting Parties authorized the Netherlands to reduce, for the year 1953, from 72,000 to 60,000 metric tons the upper limit on imports of wheat flour from the United States.

Since the Seventh Session Section 104 of the Defense Production Act has expired. But the United States has imposed restrictions on imports of dairy products, fats and oils under Section 22 of the Agricultural Adjustment Act, as from 1 July 1953.

BRAZILIAN INTERNAL TAXES

At the Third Session in 1949 the Contracting Parties considered a complaint by France, supported by other contracting parties concerning an increase in the element of discrimination in certain Brazilian internal taxes against certain French, United Kingdom and United States exports, such as cognac, aperitifs, watches and clocks, beer and cigarettes. Subsequently Brazil gave an assurance that a proposal for amending the legislation would be submitted to the Congress.
At the Fifth Session the Contracting Parties, at the request of Brazil, examined a draft law modifying the present legislation on consumption taxes which was being considered for submission to the Brazilian legislature, and it was considered that the draft law would, on the whole, remove the internal tax discrimination introduced since 1947 and bring Brazil's consumption tax legislation into conformity with the agreement as applied under the Protocol of Provisional Application.

At the Seventh Session Brazil informed the Contracting Parties that a commission had been appointed to revise the Brazilian tariff in order to bring it into closer accord with the Brazilian economy and to place the adherence of Brazil to GATT on a more realistic basis. The question of the internal taxes being parallel to these other questions, the Contracting Parties agreed that the matter be maintained on the agenda for the Eighth Session.

**BELGIAN FAMILY ALLOWANCES**

A system providing for family allowances to workers is in force in Belgium by virtue of an Act of 4 August 1930. The system is financed by contributions imposed upon the Belgian employers, and in order to counterbalance these contributions a special tax of 7.5 per cent ad valorem is levied on products imported by the Belgian governmental, provincial and municipal authorities. Exemption from this import tax can be granted in the case of importation from countries where similar contributions are imposed upon the employers either by law or by collective agreements.

At the Sixth Session Denmark and Norway pointed out that, as certain contracting parties had obtained an exemption from the tax (for the reason stated above), they had requested the Government of Belgium to grant them similar treatment, claiming that their social legislation could not be considered less costly or less developed than the legislation in this field in Belgium. Nevertheless the Belgian Government had not yet found it possible to act in favour of the Danish or Norwegian requests for exemption from the special duty.

The Contracting Parties at the Sixth Session considered that the element of discrimination was not in conformity with Article I and—in view of a request by the Delegation of Belgium for time to make the necessary administrative changes—a delay was granted.

At the Seventh Session, Denmark, Norway, Austria and Germany drew attention to the continuing discriminatory nature of the Belgian import charge. The Panel on Complaints examined the legal issues involved and the Contracting Parties recommended the Belgian Government to adopt without delay the measures necessary to remove the discrimination.
In advance of this Session additional complaints on this matter have been put forward by Germany and Italy.

**Belgian Dollar Import Restrictions**

At the Sixth Session the United States and Canada complained that import restrictions by the Belgium-Luxembourg Economic Union had damaged their trade and that the matter should be dealt with by the Contracting Parties as a departure from obligations under the GATT. It was agreed not to pursue the matter further during the Sixth Session, bearing in mind an assurance from the Belgian Delegation that the B.L.E.U., was not altering the fundamentals of its commercial policy, that Belgium intended to abide by the rules of the GATT and that the duration of application of these dollar restrictions would be reduced to the strictest minimum.

At the Seventh Session the Belgian Delegation informed the Contracting Parties that the Belgian Government felt that it was justified in proceeding in its return, albeit cautiously, to a régime of freedom from quantitative restrictions and that it proposed as a first step to institute shortly significant measures of relaxation in its dollar import restrictions. The United States and Canada agreed that no useful purpose would be served in exploring the problem further at the Seventh Session, pending the announcement of the details of the Belgian proposals.

In February 1953 the Belgian Government announced that restrictions on a new list of goods when paid for in dollars had been removed. The value of the goods in this list represented 68 to 70 per cent of the value of dollar imports into the B.L.E.U. At the same time the Government stated licences for imports not included in this list would be issued as liberally as possible.

Canada and the United States have requested this item be placed on the agenda of this Session.

**Germany: Treatment of Imports of Sardines**

At the Seventh Session Norway complained that the Federal Republic of Germany was discriminating, contrary to GATT obligations, against Norwegian sardines (brisling). The complaint was dealt with by the Panel on Complaints which concluded that, although the measures taken by the German Government under the above headings were not inconsistent with the provisions of GATT, nevertheless the value of the tariff concessions which Norway obtained from Germany in the Torquay negotiations had been impaired. The Contracting Parties recommended the Federal Republic to consider ways and means to remove the competitive inequality which may exist between Norwegian sardines (brisling) and other types of sardines, and to consult with Norway on the results of their consideration. Both delegations accepted this recommendation and agreed to report at the Eighth Session.

More
GREEK IMPORT TAXES AND GREEK IMPORT DUTY COEFFICIENTS

At the Seventh Session the Contracting Parties heard a complaint against a "contribution" or tax imposed on certain imports by the Greek Government. They decided, in view of many complicated issues involved, to resume examination of the complaint at the Eighth Session. On 9 April 1953 the Greek Government devalued the drachma by fifty per cent and unified its exchange system by eliminating all multiple currency practices. At the same time the "contribution" was abolished.

A second complaint which was made at the Seventh Session concerned a Greek measure which raised the pre-war tariff coefficients which had been bound under the GATT. The Greek Government in July 1953 informed the Contracting Parties that the pre-war coefficients had been re-established, thereby fulfilling the commitment taken by the Greek Delegation at the Seventh Session.

It would appear therefore that these two complaints have been satisfactorily settled.

UNITED STATES DUTY ON DRIED FIGS

At the Seventh Session, Greece, supported by Italy and Turkey, drew attention to the effect on their export trade of the increase in the United States import duty on dried figs to 4½ cents per pound on 30 August 1952, under the Article XIX 'escape clause' procedure. (The former duty was 2½ cents per pound, which was a concession granted to Turkey at the 1951 Torquay negotiations).

Consultations were held and, as a result, the Contracting Parties adopted a Resolution, under the terms of which, (a) the United States Government undertook to request the United States Tariff Commission to review the facts in the matter and to report on them at the Eighth Session; (b) the Turkish Government decided to apply to the trade of the United States provisional modifications in the rates of certain Turkish import duties, to be effective only for the period during which the United States continued the increased duty on dried figs; (c) the United States and Greece initiated a study of the trade of the United States with Greece to determine whether the United States might make provisional concessions to compensate Greece.

At this Session the Contracting Parties will receive the relevant reports from the governments concerned.
UNITED STATES IMPORT RESTRICTIONS ON FILBERTS

This is a new complaint, proposed by Turkey, which has drawn attention to the effect of action taken by the United States on 10 June 1953, under Section 22 of the Agricultural Adjustment Act. Turkey is the principal supplier of filberts and the United States action is considered by Turkey to nullify the benefits of GATT concessions granted by the United States.

FRENCH TAX ON IMPORTS AND EXPORTS

This is a new complaint. The United States has questioned whether a tax by France on all imports and exports is consistent with the GATT provisions. This tax, which amounts to 0.4 per cent of the value of imports and exports, is designed to develop a fund for providing social security benefits to farmers. In the view of the United States the tax nullifies or impairs the concessions made by France under the GATT.

COMPLAINTS ARISING FROM THE USE OF EXPORT SUBSIDIES

The GATT rule on subsidies is contained in Article XVI. A contracting party which grants or maintains a subsidy, including any form of income or price support, which has the effect of increasing exports or reducing imports, is required to notify the Contracting Parties. If the interests of another contracting party are seriously prejudiced, the contracting party granting the subsidy may be requested to discuss the possibility of limiting the subsidization.

UNITED STATES EXPORT SUBSIDY ON SULTANAS

At the Seventh Session Greece drew attention to the fact that the United States Government had, since 1949, a programme subsidizing the exportation of raisins (sultanas); and Greece - a country with very few exportable items - claimed it was losing traditional markets for its sultanas. The Turkish Delegation also stressed the detrimental effect of the United States export subsidy on other producing countries. The United States expressed willingness to enter into consultations with the interested countries and bilateral consultations were initiated during the Session. The matter has been put on the agenda of the Eighth Session.

UNITED STATES EXPORT SUBSIDIES ON ORANGES AND ALMONDS

Italy has requested this item for inclusion in the Eighth Session, in view of the fact that the United States export subsidy on oranges, which was suspended, has been re-established; and in view of the effect on Italian exports to various European markets of a special United States subsidy on exports of almonds.
a) South Africa - Southern Rhodesia

In 1949 the Contracting Parties decided that South Africa and Southern Rhodesia were entitled to claim the benefits of Article XXIV relating to the formation of customs unions. Under Article XXIV the Contracting Parties are mainly concerned with two points: first, whether the interim arrangements between two or more countries which intend to form a customs union are likely to result in the formation of a full customs union and, secondly, whether the interim period is a reasonable one.

At this Session the Contracting Parties will consider the Fourth Annual Report submitted by the Southern African Customs Union Council on the progress achieved in the first four years towards the elimination of tariffs and other restrictive regulations of commerce between the two countries, and towards the application of a common tariff and other regulations to the trade of other contracting parties.

b) Nicaragua - El Salvador Free-Trade Area

At their Session in October 1951 the Contracting Parties examined the Treaty of August 1951 between Nicaragua (a contracting party) and El Salvador (not a contracting party) for the establishment of a free-trade area. They decided that Nicaragua was entitled to resort to the provisions of Article XXIV relating to free-trade areas. Nicaragua has undertaken to furnish annual reports on the action taken in respect of certain articles of the Treaty under which the right to impose quantitative restrictions on certain specified imports and to make changes in the lists of products entitled to customs exemption when exported and imported from one country into the other is reserved.

At this Session the Contracting Parties will consider the second annual report submitted by Nicaragua.

EUROPEAN COAL AND STEEL COMMUNITY

In April 1951, Belgium, the Federal Republic of Germany, France, Luxemburg, Italy and the Netherlands concluded a Treaty constituting the European Coal and Steel Community and a Convention containing the transitional provisions. The Treaty came into force on 23 July 1952. The establishment of the common market involves the abolition as between the six countries of import and export duties, and of quantitative restrictions on the movement of coal and steel within the six countries of the Community.
The six member States of the Community are each contracting parties to GATT. They submitted to the Contracting Parties a request for a release from certain of their obligations under the GATT. This request concerned mainly the most-favoured-nation clause contained in GATT Article I and the rule of non-discrimination in Article XIII regarding the application of quantitative restrictions.

At the Seventh Session the Contracting Parties granted certain specific waivers, and it was agreed that from the date of the creation of the common market for coal products (10 February 1953) until the end of the transitional period (during which some re-arrangement of tariffs and quotas as between the six countries will be necessary), the six countries will submit annual reports to the Contracting Parties on the progress towards the full application of the Treaty. The first reports will be considered at this Session.

ITALIAN CUSTOMS TREATMENT FOR LIBYAN PRODUCTS

At the Sixth Session the Contracting Parties agreed to a request by Italy for authority to continue for one year to exempt from customs duties certain goods originating in and coming from Libya and imported into Italy. (Preferential treatment by Italy for Libyan goods dates back as far as 1911).

At the Seventh Session, Italy supported by the (new) government of Libya obtained authority to continue, for a further period of three years, exemption from Italian Customs duties for a definitive list of Libyan exports. During this period the Italian Government will submit annual reports on the operation of the special régime and the Government of Libya will submit annual reports on its plans for economic development. The first of these reports will be considered at this Session.

AUSTRALIA: SPECIAL TREATMENT OF PAPUA AND NEW GUINEA PRODUCTS

The Australian delegation has requested the Contracting Parties to grant a waiver of GATT provisions insofar as they prevent Australia from according special treatment to the products of the Territory of Papua and New Guinea imported into Australia.

Before the entry into force of the GATT Australia gave various forms of assistance to producers in the Territory, including special customs treatment on a limited range of products. Australia now wishes to develop the Territory by encouraging the production of an increasing range of commodities. This could be done by incorporating Papua and New Guinea into the Customs Area of Australia thereby extending to the industries of the Territory the same forms of assistance as Australia extends to industries within the Australian Customs Area.

However, the view of the Australian Government is that this form of Union would not be to the advantage of the Territory and that the main benefits of such a Union would accrue more particularly in the short run to Australian
products and manufactures imported into the Territory. In order to confine the benefits of special treatment to the Territory and offer an incentive to investment and production by granting an assured market in Australia for Territory products the Australian government is seeking a waiver which will permit the application of the principles and benefits of a free-trade area to the products of Papua and New Guinea.

Tariffs and Tariff Negotiations

ARTICLE XXVIII: THE ASSURED LIFE OF THE SCHEDULES

The tariff concessions contained in the original schedules annexed to the GATT entered into force in 1948 with an assured life until the end of 1950. After that time a contracting party could modify or withdraw any concession by negotiation and agreement with the government with which it had been negotiated. If no agreement could be reached on compensatory adjustments on other products, the contracting party would be free to modify or withdraw the concession and, in that event, the other contracting party could withdraw equivalent concessions.

To avoid the possibility of extensive re-negotiations and the gradual unravelling of the network of concessions (there are some 55,000 items bound under the GATT), action was taken at the Torquay Conference in 1950 to extend the assured life of the schedules (comprising the concessions negotiated at all three Tariff Conferences) until 31 December 1953.

At this Session the Contracting Parties will have to decide whether to prolong the firm validity of the schedules for a further period.

FRENCH PLAN FOR A REDUCTION OF TARIFF LEVELS

The reduction of customs tariffs is one of the principal means of attaining the objectives of the GATT. But it has become evident in recent years that the method of reducing tariffs on a basis of strict reciprocity (as carried out at the Geneva, Annecy and Torquay Conferences) would not yield substantial results in the future, largely owing to the difficulties encountered when so-called high-tariff countries negotiate with so-called low-tariff countries, which have exhausted their possibilities of reducing their tariffs in the preceding tariff conferences. New methods and new techniques had to be sought.

Two suggestions for alternative methods of tariff reduction were suggested in 1951: (a) the Benelux proposal for the reduction of high tariff rates, so as to reduce the disparity in the customs tariffs of Europe and (b) the French plan for a world-wide reduction of the incidence of tariffs by 30 per cent in three annual stages of 10 per cent each.
A working group of European countries, Canada and the United States have examined the technical aspects of the French plan. Preliminary results were submitted to the Seventh Session, when the French Government submitted a revision of the plan: the revision attempted to reconcile the views expressed in the course of the discussion of the working group. As a result of unofficial talks between a number of countries, the French Government supported by other European Governments, submitted an elaboration of its revised plan. The working group of European countries, Canada and the United States is considering the revised French plan and will report on the technical aspects of that plan. It is expected that, when the Contracting Parties consider that report, they will examine questions of principle raised by the French plan against the background of the broader question of the adequacy of the proposed negotiating procedures and establish an intersessional body to pursue this examination after the Session.

Miscellaneous Items

ADMINISTRATIVE BARRIERS TO TRADE

For the past three years the Contracting Parties have been tackling customs formalities and various administrative barriers to trade, stage by stage. In 1950 they drew up a code of standard practices for the administration by governments of import and export restrictions and exchange controls. In 1952 they adopted a code of standard practices for documents which are required for importation and they made several recommendations which envisage the elimination of consular visas and formalities as soon as possible. They also drew up and opened for signature (in February 1953) the International Convention to Facilitate the Importation of Samples and Advertising Materials the broad purpose of which is to minimize the costs and reduce the formalities and delays which traders and merchants have to face in sending samples and advertising material from one country to another. At the Eighth Session the Contracting Parties will wish to review the steps taken by member governments to abolish consular visas and consular formalities and to ascertain when the Convention on Samples and Advertising Material is likely to be brought into operation.

METHODS OF VALUATION FOR CUSTOMS PURPOSES

At the Eighth Session the Contracting Parties will carry their work in helping to reduce administrative barriers to trade a stage further. The International Chamber of Commerce has requested that the Contracting Parties should investigate the possibility of drawing up a standard definition of value for customs purposes for world-wide application, since there is an urgent need for the simplification and international standardization of methods of establishing the value of goods. Member governments have already been asked to report on the steps taken by them to conform to GATT Article VII which sets
out the principles on which imported goods are to be valued for customs purposes.

NATIONALITY OF IMPORTED GOODS

At the Eighth Session the Contracting Parties will study the possibility of adopting a common definition for determining the nationality of imported goods. This is also a proposal by the International Chamber of Commerce.

PROTOCOLS AND SCHEDULES

At each Session the Contracting Parties undertake to examine the current status of the Protocols, in particular those which lack the acceptance needed to bring them into force.

As at previous Sessions the Contracting Parties will consider rectifications which any contracting party wishes to have made in its schedules of tariff duty concessions.

ADMINISTRATION OF THE GATT

Under this general heading fall such items as:

(a) the election of Chairman and Vice-Chairman of the Contracting Parties;
(b) the nomination of Chairman for the Interim Co-ordinating Committee for Intergovernmental Commodity Agreements;
(c) the financial statement for 1953 and the budget estimates for 1954;
(d) the renewal of intersessional arrangements for the administration of the GATT;
(e) the date and place of the Ninth Session.

END