Opening the general debate on the request of the United Kingdom for a waiver of obligations under Article I, General Most-favoured-nation Treatment, Mr. Peter Thorneycroft, United Kingdom, said that the problem was giving rise to real difficulties in the United Kingdom. The essence of the problem was simple: it was that the United Kingdom was unable to raise tariffs on the unbound list (the position of the bound items was not in any way affected or prejudiced) whereas other countries could do so freely. The United Kingdom had traditionally given free entry on a large range of Commonwealth goods and could not under existing legislation change this situation. In view of that and of the rule against new preferences, the greater part of the United Kingdom tariff was frozen and that was obviously not a position which could easily be defended by any government. It would, he said, be politically impossible to introduce a bill to impose tariffs on Commonwealth goods; no United Kingdom Government could pass such a law merely to achieve compliance with technical rules.

Mr. Thorneycroft emphasized that the United Kingdom intention was not to use any waiver to increase the preferential advantage of Commonwealth suppliers in the United Kingdom market. All the United Kingdom wanted was to enjoy the same freedom as other contracting parties to raise unbound tariffs where this was proved necessary to help agriculture and industry. If the waiver were granted there would, he said, be no diversion of trade since the Commonwealth did not in general supply the goods concerned. The United Kingdom were ready to adopt suitable procedures to safeguard the interests of contracting parties in cases where an increase in the margin of preference might lead to a substantial diversion of trade to the Commonwealth. The waiver would apply only after consultation and, if necessary, arbitration. Mr. Thorneycroft stressed that he was not asking for a general waiver of obligations under Article I but for a narrowly restricted waiver which was the minimum needed to surmount the problem.

Mr. Thorneycroft said he would like to meet criticism in advance on two points. First, the grant of ad hoc waivers, which might be suggested, would mean continued tariff negotiations on unbound items. Secondly, any suggestion that tariffs should not be increased at all was not really relevant because unbound items could be increased under the GATT rules. The waiver would not in fact put the United Kingdom on as favourable basis as other countries so
far as unbound items are concerned. The United Kingdom regarded tariffs as the right method of protection and not quotas. The United Kingdom intention was to get rid of quotas as soon as the balance of payments position permitted.

Mr. Gunnar Seidenfaden, Denmark, said that the problems of the United Kingdom preference had aroused the greatest interest in the Danish public and Danish farmers felt that the system of Imperial Preferences, established at Ottawa, was unfair to Denmark where through generations the whole structure of the production system in the agricultural field had developed in accordance with the taste and wishes of the United Kingdom Denmark's greatest customer. Many circles in Denmark felt that the waiver requested instituted an important withdrawal of concessions and that it should not be granted, or if granted it should be balanced by concessions in other fields.

Even when the British assurance that the intention of the waiver was not to put the preference - countries in a better position at the expense of third countries was taken into account, the attitude of the Danish government to the United Kingdom request must necessarily be negative, Mr. Seidenfaden said. They did not understand why it was impossible for the United Kingdom to request a specific waiver for certain categories of goods instead of a general waiver, nor why the request could not be postponed until the forthcoming general review of GATT. He feared that the United Kingdom request might open the way for a series of requests from other countries.

Nevertheless, said Mr. Seidenfaden, he felt that in international cooperation results are only reached through compromise and if it was the general feeling of the Contracting Parties that a solution should be found to meet the British problems, the Danish delegation would participate. But he wished to make a warning that the British intention of using the waiver to introduce tariff protection went against the aims and objectives of GATT and in particular against the thoughts that are the basis of the French plan and other plans for tariff reductions. Mr. Seidenfaden also added a warning that the growing agricultural protection in Western Europe is the foremost hindrance for the creation of a common European market.

M. Hasam Isik, Turkey, said that the United Kingdom request, although said to be technical, raised questions of principle. He felt that, while the United Kingdom parliament could not agree to raising preferential rates, there was an element of public opinion in Britain which should be studied. Was it really necessary to continue to grant free entry to Commonwealth countries, he asked. It was dangerous to consider that the margins on unbound rates were less firm than those on bound rates. Nevertheless the Turkish delegation would examine the United Kingdom request in a spirit of understanding.
Dr. L.R.S. Singh, India, said that the Government of India was satisfied that the United Kingdom request did not seek a basic modification of the objectives under Article I neither was it intended to extend the preferential rule. He regarded the request as not unreasonable and he considered that proposed procedure for consultation and arbitration provided enough safeguards. India would therefore support the request.

Baron Bentinck, Netherlands, said that his Government attached great importance to the proposal on grounds of principle. While the United Kingdom, he said, calls the proposals technical (to overcome certain political difficulties) nevertheless the United Kingdom intends to increase duties on a whole range of commodities as soon as the waiver is granted, whereas on the contrary the Netherlands Government pleads for a general reduction of tariffs. The Netherlands he said, was vitally interested in matters affecting the preferential rate since 20-25 per cent of Netherlands exports go to the Commonwealth. The proposed waiver would give the liberty to increase the rates of preference and would therefore effect the principle of "no new preference". Baron Bentinck said that though the measures would be restricted to cases where there was no danger of diversion of trade, it was thought that this limitation would be too easily forgotten by those who might want to invoke a precedent. The Netherlands Government appreciated the United Kingdom position but considered the application unfortunate at a time when there is a virtual standstill agreement and when revisions of GATT could take place in the foreseeable future.

M. T. Notarangeli, Italy, said that the waiver might have substantial repercussions on Italian-United Kingdom trade relations. Agricultural products were a substantial part of Italian exports to the United Kingdom. Already as a result of United Kingdom import restrictions they had fallen in value from 16.8 billion lire in 1951 to 8.7 billion lire in 1952. He felt that it was not desirable to grant a general waiver but that it should be limited in time and as to quantity of items.

M. Donne, France, said that the United Kingdom intended to increase its protection on about 40 items and presumably some of these would affect French interests. He objected to the United Kingdom request as contrary to the general aim of GATT and because in previous tariff negotiations the special situation of the United Kingdom under Article I was taken into account. Nevertheless the French Government appreciated the United Kingdom's difficulties and supported reference of the request to a working party.

Mr. M.F. Jayaratne, Ceylon, asked if the United Kingdom proposal was a reasonable one. He felt that the GATT must show resiliency and flexibility if it were to survive, by reconciling the varying interests of many countries. He supported the United Kingdom request since the issue was essentially practical and the solution proposed was not in violation of the spirit of the GATT.
Mr. S. Sahlin, Sweden, said that the United Kingdom proposal arrived at a delicate time in the life of GATT. While recognising the possible need to diverge from GATT rules Sweden was concerned with the general character of the proposal. He agreed with views expressed by the Danish and Netherlands delegates. M. Werner Hagomann, Germany, said that he could not agree in principle to a general waiver. But if a way could be found to solve the particular problem of the United Kingdom, Germany would co-operate. Mr. Samuel Waugh, United States, said that he had sympathies with both the supporters and the critics of the United Kingdom proposal. While the United States had a tradition of supporting most-favoured-nation treatment and he would share the concern expressed by others over any breach of this principle, he felt that the request was for a technical adjustment of the letter of Article I rather than for a departure from its spirit. With a clear understanding that any such waiver would be administered so as to avoid any diversion of trade, the United States would be prepared to support reference of the request to a working party for study.

Replying to several points in the debate, Mr. Peter Thorneycroft, United Kingdom, said that the United Kingdom had sought a means of dealing with its problem without damaging the trade of other contracting parties. It was not true that the United Kingdom proposal was contrary to the basic aims and intentions of GATT. No nation could bind virtually all its tariff rates, which was the present situation for the United Kingdom. As regards diversion of trade, he pointed out that not one single example had been given during the debate. Mr. Thorneycroft also assured the Italian delegate that the waiver would not affect any tariff commitment entered into between the United Kingdom and other contracting parties.

A working party to examine the United Kingdom request was set up with M. Max Suetens, Belgium, as Chairman.