ROUND UP OF THE FOURTH SESSION OF THE CONTRACTING PARTIES TO THE GENERAL AGREEMENT ON TARIFFS AND TRADE

1. The Fourth Session of the Contracting Parties was held at Geneva from 23 February to 3 April, 1950, inclusive.

2. At the opening of the Session Mr. L. Dana Wilgress, Canada, was elected chairman and M. Max Suetens, Belgium, Vice Chairman of the Contracting Parties, both for a period of one year.

3. All the original 23 contracting parties, with the exception of Cuba, Lebanon and Syria, were represented. Representatives of most of the 10 Annecy acceding countries attended as observers; of these, Haiti and Greece became contracting parties before the end of March and all are expected to become contracting parties before June. Indonesia also attended as a contracting party having acquired sovereign status in February. Representatives of the countries intending to accede after the third round of tariff negotiations were also present as observers. Observers from the International Monetary Fund and the Organization for European Economic Cooperation also took part.

4. As in previous sessions work was done in plenary sessions and in working parties. Eight working parties were set up and all completed their tasks: Working Party A on Rectifications; B on Revalidation of Schedules; C on Participation of Switzerland; D on Quantitative Restrictions; E on Balance of Payments Questions; F on Special Exchange Agreements; G on Chilean Nitrate; H on the Ceylon Application.

5. The business of the Session may be roughly divided into
(a) plans for the third round of tariff negotiations
(b) an examination of the trade practice of member countries and their effect on the general reduction of barriers to international trade, and
(c) items arising from the routine operation of the Agreement.

6. One of the important tasks of the Session was to deal in advance with problems arising from the decision - taken at the previous Session - to hold a third round of multilateral tariff negotiations. The Contracting Parties accepted the offer of the British Government that the third round of tariff negotiations should be held at Torquay, England. They will open on 28 September, 1950, and are expected to continue through the winter. The reduction of tariff barriers through the General Agreement is an important part of the broad plan for overcoming the current world trade disequilibrium.

The Torquay negotiations will be on a very large scale. It is expected that approximately 40 countries comprising contracting parties and acceding governments will take part, accounting for some four fifths of world trade. In addition to negotiations with countries wishing
to accede to the Agreement, there will be renewed negotiations among the contracting parties themselves. One of the important features will be the negotiations of the Federal Republic of Germany, whose participation was agreed at the Fourth Session. It is probable that 400 separate bilateral negotiations will take place at Torquay, which may be compared with the completion of 123 bilateral negotiations at Geneva in 1947 and 147 at Annecy in 1949.

7. The Contracting Parties, at the Fourth Session, dealt with the position of low tariff countries in relation to the Torquay negotiations. Several countries which took part in the 1947 negotiations entered with relatively low tariffs, and in the result they agreed to bind a large number of tariff rates against increase. The low tariff countries—whose spokesmen at the Fourth Session represented mainly the Benelux and Scandinavian countries now fear that there are no further concessions of value they can offer. They affirm that before they agree, at the Torquay negotiations to rebind their tariffs they should be allowed to judge what progress has been made towards a general equitable balance in tariff levels. The difficulties inherent in the situation were discussed by the Contracting Parties in the light of one of the rules of tariff negotiations, as laid down in the Havana Charter and accepted by the Contracting Parties. This rule states that the binding of low tariffs or of duty-free treatment is to be considered as a concession equivalent to the reduction of high tariffs. All countries participating at Torquay are now recommended to observe this rule. The results of the Geneva, Annecy and Torquay negotiations are to be viewed as a whole in assessing progress made towards the basic objective of the Agreement, namely the reduction of tariffs on a substantial scale.

8. A second important decision taken at the Fourth Session was a recommendation to prolong the life of the Geneva and Annecy tariff schedules, and to assure that there will be no general reopening of tariff concessions granted during the first two rounds. The countries taking part in the Torquay negotiations will negotiate on the assumption that the full validity of the body of concessions resulting from the Geneva and Annecy Schedules will be secured for a further three years by means of a Protocol, that is until 1 January, 1954. The text of this Protocol, which will be signed at the end of the Torquay negotiations has already been agreed. This decision, which was in the form of a Resolution, does not prevent the countries from negotiating at Torquay limited adjustments in their Geneva and Annecy schedules before they are bound for a further period of three years. The rules governing such adjustments, however, require the Contracting Parties to endeavour to maintain a general level of concessions not less favourable to trade than the present régime. As a result of the Fourth Session decisions, therefore, it is now expected that there will emerge from the Torquay negotiations in 1951 a set of tariff schedules for 40 countries, all of which will be bound against increase until the beginning of 1954.
9. A third problem related to the Torquay tariff negotiations was the possible participation of Switzerland:

In September, 1949, an invitation was sent from the Contracting Parties to Switzerland to participate in the Torquay Tariff Negotiations. In reply Switzerland referred to the difficulties which acceptance of certain of the obligations of the General Agreement would in their view present to Switzerland. Before coming to a decision, Switzerland enquired whether the special difficulties which they apprehended could be taken into account. The Contracting Parties, after a full and sympathetic consideration of the problem, during which various possibilities were examined, regrettfully came to the conclusion that much as the participation of Switzerland would be welcomed it had not been found possible to suggest any formula which would enable Switzerland to participate in the Agreement and yet be free of those obligations which Switzerland had indicated it could not accept. It was the hope, however, of all contracting parties that a way might still be found within the letter and spirit of the Agreement for Switzerland to take part in the negotiations and then to adhere to the Agreement.

10. Turning to the examination of trade practices during the Fourth Session, in particular of import and export controls two reports were adopted by the Contracting Parties. The first report examines in detail the types of quantitative restrictions on imports and exports being used today, many of which although imposed for balance of payments reasons or for conserving scarce resources also afford considerable incidental protection for domestic industries. The report makes a series of firm suggestions to governments to minimize the protective effects of Q.R.'s imposed for balance of payments reasons. It was agreed that the best way to make progress in the future would be for member countries to bring actual cases before the Contracting Parties in accordance with the procedure laid down in the Agreement. This report will be derestricted on 3 May. An advance summary appears in press release GATT/24.

11. The second report, - the First Report on the Discriminatory Application of Import Restrictions - explores the import procedures of some 20 member countries which are taking advantage of the right, during the postwar transitional period, to use quantitative import restrictions because of balance of payments difficulties. This report also deals with the role played by State-trading countries and by such group arrangements as the sterling area and the member countries of OEEC. This report has been derestricted and was summarized in press release GATT/22.

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In the category of routine business the Contracting Parties

a) granted a request by the United States concerning the importation of potatoes. The release granted to the United States permits the U.S. to alter the figure in its tariff schedule which determines the quantity of potatoes which may be imported at the lower rate of duty negotiated in 1947. Under the waiver the U.S. may limit the importation of "tablestock" potatoes into the U.S. at the reduced rate to 1 million bushels, plus any amount by which the domestic crop in 1950 should fall below 335 million bushels instead of 350 millions as provided in the Geneva Schedule.

b) examined and recommended on a complaint by Chile against an Australian fertilizer subsidy. The complaint of Chile was against the continuation by Australia of a subsidy on imported ammonium sulphate after the removal of a similar subsidy on imported sodium nitrate, a product of Chile. While determining that the Australian action was not in violation of the Agreement, the Contracting Parties took into consideration the fact that both subsidies had been in effect at the time when Australia granted a concession on sodium nitrate in the 1947 tariff negotiations. They recommended an adjustment of the matter by Australia which would remove the competitive inequality created by Australia's action.

c) Under the Article of the Agreement which permits special measures for economic development purposes, granted an application by Ceylon for permission to regulate the imports of cotton VERITIES, or sarongs, in order to encourage the development of a local industry. A similar application from Lebanon and Syria, covering silk fabrics and hosiery was rejected because information needed to determine whether the proposed measures met the criterion of the Agreement had not been supplied. Action on an application from Haiti for a release to cover a measure for protection of its tobacco products industry was scheduled to be considered at the next session.

Other problems of a financial character considered during the Fourth Session included:

a) Consultation as provided for in the Agreement between the Contracting Parties and certain countries which have found it necessary to change their import programmes or intensify their import restrictions in recent months in order to help correct their balance of payments situation. The restrictions imposed by the following countries were examined: Australia, Canada, Ceylon, Chile, Czechoslovakia, France, Greece, India, Netherlands, New Zealand, Norway, Pakistan, Southern Rhodesia, South Africa and the United Kingdom. The most important group of countries in this category are members of the sterling area which in July 1949 agreed to endeavour to reduce dollar imports by 25% below the level of 1948. The Contracting Parties agreed that consultations should be undertaken at the next session with the following eight countries: Australia, Ceylon, Chile, India, New Zealand, Pakistan, Southern Rhodesia and the United Kingdom regarding recent changes in their import programmes.

b) The Contracting Parties adopted a series of resolutions having the effect of giving a limited extension of time to Pakistan, Burma, Haiti, New Zealand and Indonesia for the concluding of Special Exchange Agreements with the Contracting Parties if these countries do not in the near future become members of the International Monetary Fund.
14. At the end of the Session the representative of the United States said that his government was still very much interested in developing a method by which the Contracting Parties could grant most-favoured-nation treatment to Japan. It was the intention of the U.S. government to raise this question during the Torquay meeting.

15. It was decided that the next, Fifth Session, will open at Torquay on 2 November, 1950.