Mr. Chairman:

Let me begin by stating specifically what it is that we propose. Briefly, we ask the Contracting Parties, acting under the authority given to them by Article XXV of the General Agreement, to set aside the commitments of the General Agreement as they apply between the United States and Czechoslovakia. It will be recalled that Article XXV, in paragraph 5(a), states that "in exceptional circumstances, not elsewhere provided for... the CONTRACTING PARTIES may waive an obligation imposed upon a contracting party" by the Agreement.

We have distributed to the other delegations, for their consideration, a draft of a declaration designed to give effect to this proposal, (GATT/CP.6/5/Add.2).

So much for a description of the proposal itself. Now, more broadly, what does it mean, and what would be its practical effect?

First, this request is not a unilateral, one-sided proposal applying only to the obligations of the United States toward Czechoslovakia. We are not seeking any liberty or privilege for ourselves which we are not also prepared to see accorded to Czechoslovakia. On the contrary, our proposal would also free the Czechoslovak Government equally of its obligations under the Agreement toward the United States. We consider that this concept of mutuality in the severance of obligations, as in the undertaking of them, is fully consistent with the principles of equity and reciprocity which underlie the General Agreement and which run throughout its administration and enforcement.

Second, the terms of our proposal would apply exclusively to the relations between the United States and Czechoslovakia. It would not affect the obligations of the United States toward the other contracting parties in any respect. For example, it would not mean an increase in the rate of duty on any product imported from the other contracting parties into the United States. Nor would it mean the cancellation of the complaint under Article XIX, previously brought against the United States and now lying before the Contracting Parties, merely because that complaint was initiated by the Government of Czechoslovakia.

Similarly, the proposal of the United States is not intended to affect the rights or obligations of other contracting parties toward Czechoslovakia, nor of Czechoslovakia toward them. We are here concerned solely and exclusively with the state of our own relations directly with the Government of Czechoslovakia and, in the exceptional circumstances which prevail between us, with the impossibility of fulfilling commercial policy obligations which were originally entered into under quite different circumstances.

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Our proposal, then, is strictly limited in its scope and, so far as we are concerned, is not intended to have implications for other countries. It is reciprocal in effect, and conforms to the spirit of mutuality which pervades the General Agreement. It does not disturb the relations between any of the other parties to the Agreement.

Now, I should like to explain why the Government of the United States feels compelled to take the steps which it now proposes for the severance of commercial policy obligations between the United States and Czechoslovakia.

It has been known to my Government for some time that the economic system of Czechoslovakia is being manipulated by its present Government in such a way as to nullify the economic benefits which the United States had expected to accrue from the General Agreement on Tariffs and Trade. Ordinarily these actions would, of course, properly be the subject of a complaint by the United States against Czechoslovakia pursuant to the provisions of Article XXIII. But it is clear to us that there is and can be no real remedy under the provisions of Article XXIII because we cannot reasonably anticipate an improvement of our commerce with Czechoslovakia so long as the present state of relations between us exists.

It is, I think, an elementary proposition that fruitful economic relations between any two countries, and the value of commercial obligations between them, must presuppose some reasonable degree of tolerance between the Governments concerned, some reasonable degree of mutual respect, some reasonable degree of good faith by each in its dealings with the other. Intolerance, lack of respect, absence of good faith, must surely call into question the validity of promises which, at bottom, rest on a foundation of morality. If one Government consider that another Government has, as a matter of deliberate policy and practice, harassed its representatives and severely limited their number and scope of operations; if one Government considers that another has systematically refused even to receive its representations or even to listen to its protests against acts in violation of treaties or of international law; if one Government consiers that another has persistently demonstrated untrustworthiness in its dealings between the two Governments; if it is impossible for one Government to obtain from another even the most elementary commercial and economic information which is essential to the conduct of commercial intercourse; if normal relations between business men and enterprises in the two countries are made impossible by drastic limitations on their activities; if there is no genuine means of communication between the two Governments; then, what possible basis can there be for the fulfillment of commercial policy obligations such as we find in the General Agreement on Tariffs and Trade? I think it must be abundantly clear that there can be none. The very premises on which the contract was based have been removed.

This, I believe, accurately describes the state of the relations which, under the regime of the present Government of Czechoslovakia, have developed between that Government and the Government of the United States.

The negotiations which led to the assumption by Czechoslovakia and the United States of commercial policy obligations toward each other were concluded four years ago, in the Fall of 1947. Since that time Czechoslovakia has radically altered its entire economic system, its method of doing business with the United States, and the general attitude of its Government toward the people and Government of the United States. Following upon these basic changes which, I repeat, took place after Czechoslovakia and the United States agreed to become parties to the General Agreement, the general relations between the two Governments have

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steadily deteriorated. In the view of the United States these relations have now fallen below that minimum degree of mutual tolerance and respect which is essential to the effective discharge of the obligations of the General Agreement. We ask, therefore, that these obligations be formally dissolved in order that there may be no question as to their continuing validity.

I should like to emphasize at this point that our proposal does not introduce any new principle of international law. Clauses for the termination of international commitments which can be invoked at the will of either party, have almost always been included in bilateral commercial agreements and treaties. And, so far as the General Agreement is concerned, no one would question the right of any country to withdraw from the Agreement entirely, thus severing its obligations toward all other parties. The United States proposal would, of course, lead to a situation in which two countries could continue to be parties to the General Agreement even though the Agreement had ceased to apply between them. But this kind of situation the Contracting Parties have already accepted in principle and in practice through the adoption of Article XXXV. It will be recalled that under Article XXXV, one country is not compelled to assume the obligations of the General Agreement toward another country is that intent is made clear at the time either of them join. Unfortunately, Article XXXV was not incorporated in the General Agreement until after the United States and Czechoslovakia had become contracting parties, and it was not until later that the Government of Czechoslovakia fundamentally altered the nature of its relations with the United States. It is for these purely circumstantial reasons that the provisions of Article XXXV are not, under the strict letter of the agreement, technically open to us. But in spirit they should apply, and it is the hope of my Government that the justice of this view will be recognized by the Contracting Parties.

In asking this, we are not seeking to inject political disputes into the debates of the Contracting Parties. Over the years, the Contracting Parties have developed a tradition of confining discussion to economic and trade questions, of sticking to the technical merits of an issue, of excluding irrelevancies, of foregoing the temptations of political harangue. This is a wise tradition. We believe in it and shall do our utmost to preserve it.

We do not, therefore, ask the Contracting Parties to discuss the political questions which are involved in the relations between the United States and Czechoslovakia. We do not ask them to decide whether Czechoslovakia or the United States is right or wrong on any political question. We do not ask the Contracting Parties to examine into the causes of the situation which has come to pass, or to consider the methods by which it could have been avoided or might be remedied. All we ask is that the Contracting Parties recognize what is an evident fact -- that, irrespective of the merits of any political issue, the incompatibility between the Governments of the United States and Czechoslovakia on all issues involved in their relations with one another is at this time so acute and fundamental that the commercial policy obligations under the General Agreement cannot in practice be fulfilled and ought, of right and in honesty, to be suspended. This, in our judgment, is the only way in which the integrity of the General Agreement can be fully preserved.

It may be asked whether, in taking such action, the Contracting Parties might not create a precedent which would apply whenever there are differences of opinion between particular Contracting Parties on political or other matters not germane to the General Agreement.

In our view no such precedent would be created. For we are not now dealing with particular controversies between governments over well-
defined and specific issues, nor with the right of any country to take economic measures in order to compel a settlement of unrelated political disputes of this kind. What we are confronted with here is a general state of relations between two Governments, extending to all matters, economic as well as political, which has grown so tenuous and unsatisfactory that there is no practicable way in which the commercial policy obligations between them can be enforced. This, clearly, is an "exceptional circumstance" which does not easily lend itself to other situations less fundamental and sweeping in character.

To summarize, Mr. Chairman, our position on this matter:

1. We ask the Contracting Parties to suspend the obligations of the General Agreement between the United States and Czechoslovakia.

2. We ask this because of the exceptional circumstance that the general relations between the United States and Czechoslovakia have now become so fundamentally altered that commercial policy undertakings between them are no longer meaningful.

3. In seeking this action, we are requesting it in a form which will not disturb the relations which other Contracting Parties may have or choose to have with ourselves or with Czechoslovakia.

4. Our proposal is in conformity with the spirit of the legal principles already recognized in the Agreement. It would not, in our judgment, create a new and undesirable precedent for other cases less fundamental in character.

5. We consider our request to be entirely fair to all concerned and believe that it should be approved by the Contracting Parties as a matter of justice and common sense. Accordingly, we are confident that it will receive the necessary support.