GENERAL AGREEMENT ON
TARIFFS AND TRADE

CONTRACTING PARTIES
Sixth Session

SUMMARY RECORD OF THE ELEVENTH MEETING

Held at the Palais de Nations, Geneva,
on Tuesday 25 September 1951 at 3 p.m.

Chairman: Mr. Johan MELANDER (Norway)

Subjects discussed: 1. Nicaragua-El Salvador Free-Trade Area
2. South Africa-Southern Rhodesia Customs Union
3. Report on Income and Expenditure
4. Belgian Tax (Allocation Familiale)
5. French West Africa Duties

1. Nicaragua-El Salvador Free-Trade Area. Examination under
Article XXIV (GATT/CP/104 and Add. 1 and GATT/CP.6/24)

The CHAIRMAN recalled that the Government of Nicaragua had given
notification in March 1951 of its intention to form a free-trade area
embracing its customs territory and that of El Salvador. The text of the
draft treaty was distributed in GATT/CP/104/Add. 1 on 31 May. In view of
the fact that ample notice had been given, since the subject had been
incorporated in the advance Agenda of 18 July, he thought it regrettable
that the Nicaraguan Government had not sent a delegation to the present
session. In fact, Nicaragua had not been represented at any session of
the Contracting Parties since the tariff negotiations at Annecy some two
years ago.

The treaty between the two countries had entered into force on
21 August, but it would still require the approval of the Contracting
Parties, under paragraph 10 of Article XXIV, since the free-trade area
envisaged embraced the territory of a contracting party and that of a
government not a contracting party. Furthermore, paragraph 7(a) of
Article XXIV requires the contracting party in question to provide
information regarding the proposed area to enable the Contracting Parties
to make appropriate reports and recommendations to contracting parties.
In order to be in a position to make appropriate recommendations the Contracting
Parties would no doubt wish to consult with a representative of the
Government of Nicaragua, who could supply relevant information, and
possibly also with an observer of the Government of El Salvador.

In the absence of a Nicaraguan delegation, there would appear to
be two courses open to the Contracting Parties. The first would be for
then to take note of the agreement to form a free-trade area between Nicaragua and El Salvador, without giving formal approval; or, alternatively, the Contracting Parties could examine the provisions of the treaty and, if it should appear that they generally conformed to the requirements of Article XXIV, could consider the treaty as an interim agreement to which they could give their provisional approval subject to a more complete examination and final decision at the next session.

Mr. THORP (United States) thought that no examination of the treaty would be possible unless relevant questions could be addressed to the Governments concerned. He proposed that the Contracting Parties take note of the treaty, retain the item on the Agenda for the next session, and ask the Executive Secretary to send an urgent request to the Nicaraguan Government to send a representative to that session.

This was agreed.

2. South Africa-Southern Rhodesia Customs Union, Second Annual Report
   (GATT/CP/121 and GATT/CP.6/27)

Mr. TOWNLEY (Southern Rhodesia) stated that the Annual Report of the Customs Union Council gave a survey of activity since the position had been examined at the last session, and in addition the Note by the Secretariat summarized the undertakings of the two Governments under the Declaration of the Contracting Parties approving the plan to re-establish the Customs Union. He offered to supply any additional information the Contracting Parties might require.

Mr. PANSEGROUW (South Africa) associated himself with Mr. Townley's remarks and also offered to furnish additional information if required.

Mr. THORP (United States) recalled that the Declaration of 18 May 1949 calls for a report by the two Governments not later than 1 July 1952 "on the progress achieved towards the elimination of tariffs and restrictions on trade between their territories and towards the application of a uniform tariff to imports from other contracting parties". He enquired whether it would be possible to make this report available to the Contracting Parties earlier than the date stipulated in the event that the next session should be held in April or May of 1952.

Mr. TOWNLEY (Southern Rhodesia) undertook to inform his Government of this request.

Mr. PANSEGROUW (South Africa) agreed with this view, but explained that the two Governments in preparing this report would wish to take into account the Third Annual Report of the Customs Union Council, but the latter could not be completed before the end of the third year of the Agreement's enforcement, i.e. not before April 1952, and therefore it might not be possible to submit the Report earlier than June.

The CHAIRMAN concluded that the Contracting Parties should take note of the fact that a progress report would be submitted by the two Governments not later than 1 July 1952.
This was agreed.


The CHAIRMAN proposed to discuss separately the Financial Report, the Budget for 1952 and the proposal for a Working Capital Fund.

(a) **The Financial Report.**

The DEPUTY EXECUTIVE SECRETARY said that 1951 was the first year in which the Contracting Parties had been self-supporting. While the 1948-1949 financial year ended with a deficit, a substantial surplus had been achieved in 1950. In spite of an increased work load in 1950, the combined IGITO-GATT expenditure last year had been reduced by 15% as compared with 1949.

Savings effected in 1950 could be listed under the following headings:

1. **Conferences:** As the Torquay Conference continued in 1951, part of the appropriations included in the 1950 budget has been surrendered and new appropriations included in the 1951 budget.

2. **Printing:** This applies also to the appropriations for the printing of the Torquay and Consolidated Schedules which were not used in 1950.

3. **Experts and Consultants:** It had been possible to dispense with the services of experts or consultants in 1950.

4. **Unforeseen:** It had not been necessary to use the provision for unforeseen expenditure.

5. **Established Posts:** Thanks to the policy of deferring as long as possible the filling of vacancies, the establishment had been below the manning table, resulting in a saving of about $25,000.

6. **Common Services:** As a result of the introduction of new methods of financial controls, such as the use of monthly budgets, of improved efficiency within the Secretariat, and of reduced demands on United Nations' services, expenditure on common services in 1950 had been 60% lower than in 1949. The savings on common services amounted to about $100,000, or about 25% of the total 1950 budget.

As regards 1951, the income situation developed favourably, as contributions were coming in earlier and more regularly than in preceding years; receipts corresponded to 80% of the income budgeted for. Information had been received as regards the date on which current contributions from present contracting parties would become available, except from Brazil and
Greece. The contributions from the acceding governments who signed the Torquay Protocol should be forthcoming in the following month. Since, however, the time limits for accession had been extended for the Philippines and Korea and, possibly, for Uruguay, no contribution from those governments could be expected for 1951. The expenditure incurred so far was well within the appropriations: the table on page 2 of the Report indicated the expenditure authorized during the first nine months of the year, as well as actual disbursements and unliquidated obligations at 31 August 1951.

In accordance with the recommendations of the Working Party on the Budget in Torquay, the United Nations salary scheme had been adopted, and had resulted in a reduction in appropriation.

The CHAIRMAN asked for comments on the section of the report relating to the arrears in contributions. He noted that certain governments had found it difficult to send in their contributions in time. Relevant information had been received from the Governments of Chile and Nicaragua and he enquired if the representatives of Brazil and Greece could do the same.

Mr. ARGYROPOULOS (Greece) stated that the payment due should be received soon since the administrative formalities required in his country had almost been completed. He undertook to write to his Government to speed up the matter.

Mr. MELLO (Brazil) said that a special bill was in an advanced state of discussion in the Brazilian Congress and that he expected a positive decision at an early date.

The CHAIRMAN remarked that it would be appropriate for a Working Party to consider the unpaid contributions by Governments which were no longer parties to the General Agreement, namely China, which never paid any contribution, Lebanon and Syria; his remark also applied to the contributions of acceding governments, namely Uruguay and Germany, to the expenses of Tariff Conferences.

Mr. HAGEMANN (Germany) regretted that it would be impossible for his Government to contribute more than 5,000 dollars for 1950, for the reasons set forth on page 6 of GATT/CP.6/15.

(b) Budget for 1952

The DEPUTY EXECUTIVE SECRETARY introduced the 1952 budget, pointing out that these estimates were of a tentative nature and would have to be revised in the light of decisions to be taken at the Sixth Session, although it was not expected that the magnitude of total estimates would be substantially affected by such decisions. It would therefore be appropriate to defer a detailed consideration of those estimates by the Working Party until the latter part of the Session.

It had been possible to propose a slight reduction in the appropriations for recurrent expenditure, but a new item had been introduced
to reimburse ICITO for the expenses of the Second Session, in accordance with the decision of the Contracting Parties in 1948 to make such repayment if the International Trade Organization should not be established. Detailed information had been given in the Schedules and accompanying notes reproduced in Document GATT/CP.6/10. Appropriations for common services had been reduced but the manning table for 1952 provided for a few additional posts. Two new posts of junior economic officers had been proposed; if vacancies are taken into account the proposal would permit an increase of 6 officers in the substantive services as compared with the present actual establishment.

With respect to income it was suggested to keep the same figure for total contributions as last year and to appropriate $82,000 from the contemplated 1951 surplus to cover the balance.

Dr. van BLANKENSTEIN (Netherlands) thought that the appropriateness of the proposals could not well be judged finally until decisions had been taken on the Future Administration of the Agreement. For instance, it was not certain if the present proposals would be able to cope with any increased intersessional activities of the Contracting Parties.

The EXECUTIVE SECRETARY, agreeing with this point, suggested that the proposals could well be revised during the course of the session if necessary after the Working Party on the Continuing Administration of the Agreement had concluded its work.

The delegates of Canada, India, Pakistan and Italy, supported by the Chairman, expressed their appreciation for the economical and efficient way the funds of the Contracting Parties had been husbanded by the Secretariat.

(c) Working Capital Fund

The DEPUTY EXECUTIVE SECRETARY recalled that the Contracting Parties had decided to consider a proposal for the setting up of a Working Capital Fund at the present session. The Secretariat would not press for the discussion of such a proposal at the present session, provided that the Executive Secretary were authorised to keep the reserve set up last year, and that any 1951 surplus over and above the $82,000 appropriated to cover expenditure in 1952 were added to that reserve.

The Contracting Parties decided to set up a working party with the following terms of reference and composition:

Working Party 5

Terms of Reference:

"To examine any questions arising in connection with the financing of the 1951 budget and proposals for the budget for 1952, and to submit recommendations thereon."
Mr. BORRESEN (Norway), referring to the statement of his delegation, drawing attention to the special charge of 6\% which Norwegian goods being imported into Belgium by the Belgian Government, provinces or municipalities, were being subjected to, stated that bilateral negotiations entered into with the Belgian Government had failed to show any results so that his Government had felt compelled to bring the matter before the Contracting Parties under Article XXIII of the Agreement. Extensive relevant information had been furnished to the Belgian Government, in support of the contention that contributions which have to be paid by Norwegian manufacturers to the social welfare funds of their employees are not less than those levied in Belgium, but no satisfaction had been received although exemptions from this particular taxation had been granted to imports from France, the Netherlands and the United Kingdom. Similar exemptions had been granted to Sweden, apparently as a result of the most recent trade agreement between that country and Belgium. His Government could draw no other conclusion than that the Belgian Government was not acting in accordance with Article I of the General Agreement and that, in fact, discrimination was being applied. Mr. Borresen offered to provide statistical data if required, and said that it would not be difficult for him to prove that the social contributions of Norwegian manufacturers were at least equal to those of Belgian manufacturers.

Mr. SVEINBJØRNSSON (Denmark), speaking in support of the Norwegian delegate, stated that his country suffered from the same discrimination and his Government was reluctantly forced to submit the question to the Contracting Parties since bilateral negotiations had failed. In his view there could be no doubt that discrimination was being practised contrary to Article I of the Agreement.

Mr. SUFFENS (Belgium) regretted the charges made against his Government but could not deny that, to a degree, these charges were justified in view of Article I of the General Agreement. He explained that the corrections which the Belgian Government was trying to make in the present system had been held up by the difficulties resulting from a duality of competence existing between the governmental administration, on the one hand, and the commission which, by law, had been appointed to administer the taxes, on the other. Referring to Articles 130 and 132 of the relevant law, he explained how the original intention of the tax had been to compensate inequalities in competitive conditions between Belgian and foreign producers; it was, in his view, certain that the Belgian Government could not be accused on this score since the General Agreement
provided for such possibilities. In the case of France, the Netherlands, Sweden and the United Kingdom, his Government had used its prerogative to exempt imports and he could not disguise the fact that there was a divergence of opinion between his Government and the commission administering the taxes over the question of exemption for Danish and Norwegian products. However, the Economic Co-ordinating Committee of the Belgian Ministries would be meeting that same week and he would go to Brussels to explain the point of view of the Contracting Parties and especially that of the Governments of Denmark and Norway. M. Suetens asked that the debate be closed, to be re-opened later in the session when he would be in a position to make a fuller statement on behalf of his Government.

Mr. BORRESEN (Norway) thanked M. Suetens for his statement and agreed to his proposal.

M. SUETENS (Belgium) replying to Mr. ADARKAR (India) who showed interest in the mechanism and application of the taxes, assured the Indian delegate of his willingness to have any relevant questions answered by competent members of his delegation.

The CHAIRMAN, summing up the discussion, concluded that there appeared to be agreement that exemptions for foreign products were not applied in conformity with Article I of the Agreement. He proposed that the suggestion of the Belgian delegate be followed and the debate be adjourned until a fuller report could be submitted by the Belgian Government. He therefore suggested that the Contracting Parties take note of the statements made, and retain the item on the Agenda until a later date during the session.

This was agreed.

4. **Adjustment of Certain Customs Duties for Imports into French West Africa.**

M. LECUYER (France) stated that his Government had negotiated with the United States at Torquay on the consolidation of certain tariff duties in French West Africa. A later investigation into conditions of that territory had shown that such consolidation was not yet timely, and in informal conversations with the United States delegation some further questions requiring clarification had been raised. He therefore requested the Contracting Parties to withdraw the item from the Agenda of the present session.

Mr. THORP (United States) supported the proposal made by M. Lecuyer.

This was agreed.

The CHAIRMAN announced that the item to be discussed on the following day would be "The Termination of Obligations between the United States and Czechoslovakia". In reply to a request by the Czechoslovak delegate to be called upon as the first speaker, the Chairman stated that it would be the prerogative of the United States delegation to introduce the subject since the item had been placed on the Agenda at their request. However, if the Czechoslovak delegate wanted to raise a point of order, this would have to be given priority.

The meeting reconvened at 6.30 p.m.