GENERAL AGREEMENT ON
TARIFFS AND TRADE

CONTRACTING PARTIES
Sixth Session

SUMMARY RECORD OF THE TWENTY-FOURTH MEETING

Held at the Palais des Nations, Geneva
on Thursday, 25 October 1951, at 10.30 a.m.

Chairman: Mr. S. A. HASNIE (Pakistan)


In the absence of the Chairman, Mr. S. A. HASNIE (Pakistan)
was unanimously elected Chairman for the meeting.

1. Nicaragua - El Salvador Free-Trade Area (GATT/CP.6/24 and Add. 1),
   (Resumption of Discussion).

Mr. VARGAS GOMEZ (Cuba) stated that, together with other Latin-American delegates, namely those of Brazil, the Dominican Republic, Chile, Haiti and Peru, his Delegation had been studying the proposal to create a free-trade area between the two countries. They had found that this proposal was most likely to lead to improved trade relations, outside as well as within the Nicaraguan - El Salvador area, and that the two Governments had in every respect complied with the letter and the spirit of Article XXIV of the General Agreement, and, in particular with paragraph 4 of that Article which advocated closer integration of national economies.

Mr. SIMPSON (United States) stated that his Delegation had carefully studied the ways in which Nicaragua and El Salvador were implementing their plans and had been much impressed with the careful consideration which had evidently been given to comply with the rules of the General Agreement. It could be argued, however, that some detailed requirements had still to be met; it had been noticed that Article III of the Treaty authorised the two countries to use quantitative restrictions, if necessary, for certain items, while Article IV made provision for later modifications to be made to the schedule of items from which duties, as between the two countries, have been removed. Although he felt he had to call attention to these deviations from Article XXIV, he had been impressed by the reassurances given by the Delegates of Nicaragua and El Salvador. In general, the Treaty was in conformity with Article XXIV and he proposed that developments be kept under review by the Contracting Parties on the basis of the reports which the Delegate of Nicaragua had promised to supply. In this connection he proposed an amendment to the second paragraph of the draft decision prepared by the Executive Secretary, deleting the words "from time to time" in the sixth line.
of that paragraph and substituting "on or before the 30th June each year", so that the Government of Nicaragua would submit an annual report on action under Articles III and IV of the Treaty.

Mr. COUILLARD (Canada) remarked that he also had been much impressed by the statements made by the Delegates of Nicaragua and El Salvador, and while he would agree that some elements of the Treaty were perhaps not yet entirely in accordance with Article XXIV, he realised that the two countries had to take into account existing economic and commercial relations of a special character. He thought the Contracting Parties would be justified in accepting the assurances given to the effect that the rules of the General Agreement would be obeyed.

Mr. PANSEGROUW (South Africa) stated his agreement with the various points of view expressed and his awareness of the difficulties that would inevitably be encountered by the two Governments in realising their plans. He hoped that full information on progress would be made available annually.

Mr. LECKIE (United Kingdom) said that, although the information hitherto available to his Delegation had caused them to feel some doubts about the Treaty, the statements made on the previous day by the two Delegations had reassured him. He joined with previous speakers in hoping that the Treaty between Nicaragua and El Salvador would be implemented in complete accordance with the letter and spirit of the General Agreement. Commenting on the papers presented by the Secretariat on this question he suggested that documents of this character and quality would be much welcomed by his Delegation in the future.

M. CAESSIUS (Belgium) also spoke in support of the action being taken by the Contracting Parties with regard to this free-trade area. He supported Mr. Leckie in his praise for the documentation supplied by the Executive Secretary and his agreement that similar documentation would be of invaluable help to the Contracting Parties in their future work.

The Decision, approving the Free-Trade Area Treaty under paragraph 10 of Article XXIV, as amended in accordance with the proposal of the United States delegate, was adopted unanimously.

Mr. PORTOCARRERO (Nicaragua), thanked the Contracting Parties for their decision and reiterated his Government's intentions to comply with the request of submitting an annual report.

Mr. AMV (El Salvador) also expressed his gratitude to the Contracting Parties.

The EXECUTIVE SECRETARY referred to the comments made on the documents which he had submitted; in those notes he had endeavoured to live up to the requests made by the Contracting Parties during the present Session to supply such documentation as would enable them to take decisions more quickly. He stressed, however, that he had been enabled to do this by the assistance given by the delegates of Nicaragua and El Salvador with whom the Secretariat had been able to discuss the question fully. The Contracting Parties would therefore realise that the Secretariat could render the
services requested only in so far as the complementary assistance from
contacting parties themselves would be available, and that by giving the
Secretariat more responsibility in this matter the contracting parties
equally took more responsibility upon themselves.


Mr. PHILLIPS (Australia) Chairman of the Working Party, introduced
the draft report on quantitative import restrictions and the discriminatory
application of these restrictions. Although the main lines of the draft
prepared by the Secretariat had been retained, the Working Party's draft
included substantial revisions and was considerably shorter. Part II of the
Report would contain short notes on the import restrictions applied in each
country; the Secretariat was preparing these summaries with the help of the
delgations concerned and they would not be submitted for formal approval
of the Contracting Parties.

Mr. DI NOLA (Italy) said that the moment at which the report was
being produced gave it special importance since it marked the end of the
transitory period of recuperation which many countries had been going through
after the war. For this reason, countries which were still compelled to
apply import restrictions would have to examine the report with special care.
The situation varied in many respects from country to country and it would
therefore be found that, if the report gave prominence to some of these
but left others unmentioned, the resulting picture could not be a true one.

Although much progress had been made, even in countries which had
suffered severely from the war, the balance-of-payment position of most of
them was still weak. So much was clear from the report. But the report
did not adequately mention the consequences which countries had to face
resulting from this state of affairs. The General Agreement allowed countries
whose foreign payments position was unbalanced to adopt or maintain measures
restricting imports in order to correct this situation, and it allowed these
restrictions to be applied with a view to the fact that some commodities had
a more essential character than others. But the inevitable consequence of
this was that restrictions applied under Article XII, even if they were
applied on a non-discriminatory basis, acquired a discriminatory effect in
relation to countries which exported goods considered by other countries as
non-essential. But if these countries should also have to eliminate non-
essential goods from their own imports, the result could not be other than
a cumulative procession of import prohibitions finally resulting in reducing
the trade of all countries concerned. And since imports could only be paid
for by exports, the consequence for countries exporting non-essential
products must be a reduction of supplies to a lower level than would exist
if no restrictions were authorized under the General Agreement for balance-
of-payment reasons.

Mr. Di Nola quoted the case of Italy as an example. His country
was heavily dependent on imports of essential raw materials and also of
some essential foodstuffs. On the other hand, it produced large quantities
of so-called non-essential goods such as fruit, vegetables, wine, hats and other hand-made products, which were the first to suffer from import restrictions applied by other countries. The adverse effects of such restrictions were only being moderated through bilateral agreements with those countries. This was not to say that discriminatory effects which inevitably resulted from bilateral trade agreements, necessarily had protectionist aims. Whenever his country had been able to liberate its exports to other countries, Italian import policy, towards such countries, had been relaxed accordingly. Italy had gone furthest in liberalising trade under the Organization for European Economic Cooperation.

He knew that the situation of his country was well known to the contracting parties, but he would point out that that situation had not been sufficiently brought out in the report, and particularly not in paragraph 45 in which it would have found its proper place. For this reason, the Italian delegate who had been present at Working Party 6 as an observer had requested that this omission be made good. This request had not been met and he felt it his duty to point this out to the Contracting Parties as a shortcoming of the Report. Although this was not the only omission, he would not like to prolong the debate at this stage. He felt obliged to point out that, of late, a new wave of restrictions on the exports of essential raw materials and industrial equipment had been noticeable; this policy had been maintained together with measures of double pricing. Such measures were obviously harmful to the restoration of normal international commercial behaviour. It would, in his view, be impossible even to pretend to abolish import restrictions, whether of a discriminatory character or not, if, at the same time, measures which put a country at an artificial disadvantage in international trade were not eliminated.

It was agreed that the statement of the Italian delegate should be given in extenso in the record of the meeting.

Mr. ADARKAR (India) described the report in its present form as a compromise arrived at by those who viewed the general balance-of-payment position of contracting parties optimistically, and those who took a graver view. He suggested that paragraph 57 of the Report, which listed the provisions of the General Agreement under which contracting parties were applying their restrictions in a discriminatory manner, had not been elaborated sufficiently and that future sessions of the Contracting Parties would have to examine this matter further.

Mr. PEREZ CISNEROS (Cuba) stated that he would withhold his comments on the Report until the Working Party had submitted its recommendations on paragraphs (b) and (c) of its terms of reference.

Mr. CASSIERS (Belgium) said that since Part II of the Report had not been prepared by the Working Party, the notes on restrictions in force would lack authority. Although the Contracting Parties could remedy this by approving Part II at the Seventh Session, he would enquire what was the intention of the Working Party in this respect.
Mr. KHLLUfIS (Australia) replied that the notes in Part II would contain only the principal features of the practices of each contracting party; they would be purely factual, and it was not possible for the Working Party to check the correctness of the information supplied by Governments. The Report would contain a note making it clear that the Contracting Parties did not accept responsibility for the accuracy of these statements.

Dr. van BLANKENSTEIN (Netherlands) joining in the compliments paid to the Chairman for the work done by the Working Party, did not think, however, that the Report in its present form presented a major improvement on the first draft, and he submitted that a better way to make a report of this nature was to entrust the work to one single body instead of to a number of delegations. He would also request that, in case this report was published, it should be stated clearly in the preface that it dealt only with import restrictions for balance-of-payments reasons and was not intended to cover other restrictive trade practices which might have equally harmful effects.

Mr. LECKIE (United Kingdom) expressed his agreement with the first opinion expressed by the Netherlands delegate. Although he had no objection to the substance of the Report, he was not satisfied with its general nature. A report on these matters should help the contracting parties and the general public to appreciate better the difficulties encountered in international trade; the Secretariat draft had provided the elements of a report of this character. No useful purpose was served by publishing a report which merely reflected compromises between opposing views, and therefore he questioned whether the present method of producing such reports was satisfactory; he suggested that these methods should be reconsidered before another such report was prepared.

The meeting adjourned at 1:10 p.m.