SUMMARY RECORD OF THE THIRD MEETING

Held at the Palais des Nations, Geneva
on Tuesday, 18 September 1951 at 3 p.m.

Chairman: Mr. Johan MELANDER (Norway)

Subjects discussed: 1. United Kingdom Schedules (continued)
2. Rectification of Schedules
3. Consolidation of Schedules
4. South Africa - Germany tariff negotiations
5. Continuing Administration of the Agreement

1. The Geneva and Annecy Schedules of the United Kingdom, transposed in accordance with the Brussels Convention Nomenclature (GATT/CP/101 and Add.l and GATT/CP.6/16) (continued from the previous meeting)

Mr. SVEC (Czechoslovakia) said that the schedules submitted by the United Kingdom had been examined by experts in the Czechoslovak delegation and had been found correct and acceptable. His delegation would therefore support the proposal that these schedules be adopted to replace the old ones.

The CHAIRMAN suggested, and the Contracting Parties agreed, that the schedules should be submitted to the proposed working party which was to be constituted to deal with all questions relating to schedules. In answer to a question by Mr. LECKIE (United Kingdom), the Chairman, after ascertaining the views of the contracting parties, affirmed that the proposal by the United Kingdom delegation regarding the October 1 time-limit for the submission of observations on the schedules had been approved.

2. Rectification of Schedules (GATT/CP.6/4 and Add.l and 2)

The CHAIRMAN proposed that this matter be forthwith entrusted to the aforementioned Working Party on Schedules. It was so agreed.

3. Consolidation of Geneva, Annecy and Torquay Schedules, Approval of text for publication (GATT/CP.6/21)

The CHAIRMAN suggested similarly that the matter be referred forthwith to the Working Party on Schedules. This was agreed.
M. ROYER (Deputy Executive Secretary) drew attention to certain matters relating to the preparation of the Consolidated Schedules. It was intended that the Schedules would be published in two series of volumes, one in English and the other in French. Delegations which would require assistance from the Secretariat in the translation of their schedules were requested to indicate as soon as possible any such requirement; and firm orders for printed copies should be placed well in advance of publication.


Dr. BOTHA (Union of South Africa), referring to the notes contained in GATT/CP.6/22, explained that the Union of South Africa and Germany, which had been unable to engage in negotiations at Torquay, had since then successfully concluded negotiations and exchanged concessions in accordance with the principles and procedures of the General Agreement. The two Governments would be glad if the Contracting Parties could make appropriate arrangements for the incorporation of these concessions into their respective schedules. Dr. Botha proposed that this procedural question should be referred to the Working Party on Schedules.

This proposal was approved.

The CHAIRMAN suggested that all the matters arising from the last five items which had just been discussed, in view of their closely related nature, might be entrusted to one working party. This having been agreed, the Chairman indicated that proposed terms of reference and composition for the Working Party would be presented to the Contracting Parties for adoption at a subsequent meeting.


The CHAIRMAN recalled the remarks he had made in his opening speech regarding the importance of this item and enquired whether the Contracting Parties would wish to have a general discussion before considering separately in detail the three related subjects listed under this item.

At the suggestion of Mr. THORP (United States), supported by Mr. LECKIE (United Kingdom), it was agreed that the question of secretariat and conference services should be taken up first, in advance of those relating to the Standing Committee and the site.

Mr. THORP (United States) pointed out that the concrete proposals for asking the United Nations to provide secretariat and conference services contained in the document under consideration, had been formulated by the Secretariat on the basis of suggestions which his Government had put forward with a view to placing the administration of the Agreement on a sounder basis. In developing these ideas, his Government had in mind a number of factors which rendered the present situation unsatisfactory. First, the proposed arrangements would dispose of the difficulties which must be encountered by many Governments, including his own, in having to make
year-to-year budgetary provisions for the financing of the secretariat. Secondly, there would no doubt be advantages in having a secretariat whose personnel was provided with more permanent and stable tenures. An alternative to the proposed arrangements would be to transform the Contracting Parties into a formal international organization, so that it would be in a position to have a permanent secretariat, but to change the General Agreement into a definitive instrument would not be acceptable to many countries without a detailed review of its provisions, a step which was likely to involve prolonged legislative action for some countries. The present is evidently not an opportune time for such an attempt.

As regards the apprehension that the arrangement would involve interference by the United Nations in the work of the Contracting Parties, it was inevitable that some relationship must be established between the two organizations. Even the International Trade Organization, if set up, would be obliged to enter into an agreement with the United Nations and would have to function within the latter's orbit, and under its supervision, as one of its specialized agencies. As there was, even at present, no way of preventing the United Nations from interfering in their work, the rights and the privileges of the Contracting Parties were more likely to be protected than impaired if arrangements were made along the lines proposed by his delegation, and in the light of his past experience with the Economic and Social Council, Mr. THORP believed that no anxiety need be entertained on that account. In anticipation of the question whether it would be fair to ask members of the United Nations which were not contracting parties to bear a part of the cost of operating the General Agreement such as would be the case if the United States proposal were adopted, Mr. Thorp pointed out that most of the work and projects which the United Nations financed could not be held to benefit all of its members; not only the regional commissions served only limited geographical areas, but there had been many other organs such as the Balkans Commission which were of no direct concern to many countries. On the other hand, the work of the Contracting Parties in promoting the lowering of tariffs and other trade barriers, contributed to the weal of almost all nations of the world. There was therefore nothing in the United States proposal which would break with precedents or which could be considered inappropriate.

In conclusion, Mr. THORP drew attention to the safeguards provided in the Memorandum of Understanding to be reached with the United Nations which clearly defined the rights and responsibilities of the Contracting Parties; no transfer of any rights of the Contracting Parties to the United Nations was involved. The United States delegation would like to hear the opinion of the other contracting parties and hoped that after the general discussion they would see enough merit in the proposal to entrust it to a working party with a view to its further elaboration and to reaching a solution satisfactory to all.

Dr. van BLANKENSTEIN (Netherlands) felt that even after the clear exposition by the United States representative, a number of important questions remained to be clarified. First, he would agree that the present was not an opportune time to endow the General Agreement with a permanent
status when its provisions had not been reviewed. Consequently it would be hard to see why a permanent secretariat should be set up as the organization itself was not yet a permanent concern. Secondly, it was doubtful how far and in what way interference by the United Nations in the work of the Contracting Parties could be avoided altogether. The General Agreement had been operated successfully in the past thanks mostly to the unique way in which its business was conducted. Many contracting parties would be sorry to see this informal and intimate machinery, which had been developed in the past year, tampered with. The United States representative had indicated that safeguards would be devised to preserve these characteristics of the Contracting Parties, but a more explicit description of the safeguards would be welcome.

M. LECUYER (France) felt that it would be desirable that the present secretariat arrangements should remain unchanged. Should that prove impossible in view of difficulties, some of which were indeed inherent in the activities of the Contracting Parties, the French delegation would wish to express some fears and misgivings which should be taken into account in making any other arrangement. First, the United Nations Secretariat had numerous and complex tasks to perform and the merging of the General Agreement secretariat with it would certainly result in some difficulties unless the relationship between the Contracting Parties and the United Nations were clearly defined and a guarantee secured in regard to the quality of the service that would be provided. As had been pointed out by the Netherlands representative the Contracting Parties were a close and intimate unit and possessed a unique individuality which was well worth preserving. The most important point to bear in mind in reaching an agreement with the United Nations was therefore to insist on due regard being given to the special characteristics of the Contracting Parties.

Mr. THORP (United States) in reply to the Netherlands representative, stated that his delegation had not proposed to set up a permanent secretariat for the Contracting Parties but had merely suggested that under the proposed arrangements members of the Secretariat would be provided with a more permanent and suitable tenure of office in contrast with their present position. As regards safeguards against any interference by the United Nations, he would draw attention to the relevant provisions of the draft Memorandum of Understanding where it was clearly defined that the secretariat would operate under the substantive guidance of the Contracting Parties and would be only administratively under the control of the United Nations. And any further safeguards which might be considered desirable could be added to those already included in the draft memorandum, which was indeed designed for that particular purpose. The United States delegation would agree to the objectives mentioned by the French and the Netherlands representatives.

Mr. ISBISTER (Canada) agreed with the former speakers that the quality of the service which had been rendered by the Secretariat in the past should be preserved but he could not share the apprehension expressed by the Netherlands representative; a secretariat could not be more permanent than the organization to which it was attached. The Canadian Delegation saw certain difficulties in the proposal and was particularly
concerned about the fact that contributions to the financing of the Contracting Parties would be made by non-contracting parties. The Canadian Delegation, although not sharing the apprehension that the autonomy of the Contracting Parties would be very much impaired, had misgivings about the Contracting Parties being reduced apparently to a subordinate organ of the United Nations. Such subordination would create the impression that the Contracting Parties were less influential in the international economic field than the International Monetary Fund and the International Bank, whereas they should stand on the same level. On the other hand there were real advantages to be derived from the proposed arrangements, among which not the least important was the stability which would be assured to the secretariat, in view of the permanent character of the United Nations. The proposal should be referred to a carefully composed and well-balanced working party for close study.

M. DI NOLA (Italy) felt that the United States proposal would seem to be justifiable to a certain extent, since in present circumstances, when the International Trade Organization Charter was not likely to be ratified, it was logical that the Interim Commission should be dissolved. The United States representative had referred to certain administrative difficulties which would confront his Government if the present arrangements were to be continued, but the proposed arrangements also had drawbacks. In particular the financial provisions in paragraph 5 of the Memorandum of Understanding were not acceptable: hitherto, contributions to the budget of the Contracting Parties had been decided by themselves, but under the proposed arrangements contributions by countries which were not members of the United Nations would be assessed by a third party. If this were accepted, one must expect the loss of the formal independence of the Contracting Parties. Even though by the proposed arrangements dependence on the United Nations was limited to the administrative field, independence in policy and operation was bound to suffer to some extent once the finance of the Contracting Parties was controlled by another body.

Mr. BORRESEN (Norway) emphasized the desirability of continuing the present arrangements. In view of the divergence between the membership of the United Nations and the Agreement there were bound to be difficulties in designing an equitable method of assessing contributions. It was difficult at any rate to see the compelling reason why the present practice could not be continued in the future.

Mr. VARGAS GOMEZ (Cuba) expressed the opinion that whatever arrangements were made for the financing of the Contracting Parties, the future of the Interim Commission for an International Trade Organization should not be prejudiced. The proposal under consideration, however, would seem to imply the abolition of the Interim Commission for an International Trade Organization, and it was doubtful that this body, created by the United Nations Havana Conference on Trade and Employment, could legitimately be put out of existence by a different group of countries. He would therefore like to have a clarification on this legal point.

In reply, the CHAIRMAN said that he would reply to this legal question after consultation with the Executive Secretary.
Mr. LEEKIE (United Kingdom) said that after listening to the United States representative, his Delegation felt that an entirely convincing case had not been made out for the adoption of this somewhat unorthodox and round-about method of financing the Secretariat. It was customary that when an international convention was accepted, a government would take the necessary steps to meet the financial obligations which it entailed, and there was no reason why this straightforward method should not be adopted for the financing of the General Agreement. It was doubtful, in the first place, whether it would be possible to make the proposed arrangements with the United Nations. Even though the Contracting Parties would be put under no more obligation towards the United Nations than the furnishing of an annual review of their activities, this would imply that the Economic and Social Council, in taking note of the review thus submitted, would have the right to consider whether the activities of the Contracting Parties were of sufficient value to merit financial support; it would be natural that the body which controlled the finance of an organization would have some say in the policy and work of that organization. In that case it was conceivable that an individual contracting party, if and when dissatisfied with a decision of the Contracting Parties, should think fit to appeal to the Economic and Social Council as a last resort, with the result that discussions in the Contracting Parties would be duplicated at the Council. The submission of a report by an independent body, such as the proposed International Trade Organization, which provided its own finance, was an entirely different matter from the case under consideration; such submission by the Contracting Parties, if they depended upon the United Nations for their finance, would inevitably imply a kind of tutelage. Furthermore, the Contracting Parties had already suffered much from the fact that it did not stand in the eyes of governments and the public on a par with the International Monetary Fund and this position could obviously not be improved if they were made a department of the United Nations. The terms to be offered to the United Nations as set forth in the draft Memorandum of Understanding would seem to be too stiff to be offered by a body asking for funds. Prolonged negotiations might be inevitable and the Contracting Parties might very well lose in the end to the detriment of the General Agreement.

Secondly, the present would not seem to be the proper moment for making such sweeping changes, since any action taken now would inevitably prejudice the decisions which had to be taken by governments in the next two or three years regarding the final form and scope which the General Agreement should have as a permanent instrument. The United Kingdom Government would have to consider very carefully and in consultation with other governments whether and in what form the General Agreement should be transformed and to what extent the scope of its provisions should be broadened. It had not been the intention of the designers of the Havana Charter that it should be broken up into fragments, each administered by separate international bodies. The United Kingdom Government was very much concerned about the recent decision of the Economic and Social Council to take upon itself the task of dealing with matters falling under Chapter V of the Havana Charter. The suggestion that different aspects of commercial policy could be safely administered by different bodies if their activities were coordinated by the Economic and Social Council was not
tenable; it was clear from the structure of the International Trade Organization Charter that all aspects of commercial relations formed part of a whole which should be dealt with by one international body, and not by a number of specialised organisations. What appeared on the surface to be no more than a simple change of administration would, upon close examination, be found to have far-reaching implications and ramifications.

In conclusion, Mr. LECKIE asked whether the present straight-forward arrangements were not preferable and could be continued. The Contracting Parties, before going ahead with any innovation, should at least be convinced that difficulties which were said to be faced by certain governments, were really insurmountable. There was therefore no point in referring the proposal to a working party until agreement had been reached on matters of principle. He proposed that no attempt be made at present to reach a final conclusion, but that the question should be deferred to a later stage of the session so that there would be a period for reflection.

Mr. VIRA (India) stated that his Delegation would find it difficult to accept the proposal in its present form. For one thing, the Indian delegation did not understand the difficulty referred to concerning the continuation of the present method of financing the Secretariat. Even if the difficulties were real it should not be impossible to solve them without making others responsible for financing the Secretariat. Moreover, the time was not ripe to consider making permanent provisions for the administration of the General Agreement since the definitive version of the Agreement was yet to be worked out.

The CHAIRMAN, summing up the discussion, pointed out that all representatives who had spoken, other than the representative of the United States, had expressed doubts about the proposal. Since other representatives might wish to contribute he would propose the adjournment of the discussion. The question would be reopened later.

The proposal of the Chairman was adopted.

The meeting rose at 6.25 p.m.