Tariff Negotiations
Torquay

Summary Record of the Second Meeting of the Tariff Negotiations Committee,

held at the Marine Spa on Monday, 2 October 1950, at 10.30 a.m.

Chairman: The Honorable L.D. WILGRESS (Canada)

Subjects discussed:
2. Arrangements for Christmas.
3. Communication to Press of Programmes of Negotiations.
5. Examination of Instruments of Accession.


Mr. VAN BLANKENSTEIN (Netherlands), Chairman of the Working Party, introducing the report, stated that dates had been fixed for the opening of 74 negotiations in the month of October. It was the hope of the Working Party that in the course of the present week it would be possible to schedule further meetings.

The Working Party had also examined the procedure for the submission by contracting parties of information relating to the items they might wish to withdraw from their schedules under Article XXVIII and suggested that delegations be asked to state by 6 October whether or not they intended to enter negotiations for the withdrawal of concessions. Some contracting parties had intimated that they might find difficulty in supplying details by that date and therefore the Working Party would give further consideration to the procedures and timetable.

Thirdly, the Working Party had adopted the procedures set out in document GATT/TN.2/A/3 for the opening of negotiations.

The CHAIRMAN thanked Mr. van Blankenstein and expressed his satisfaction with the fact that 74 negotiations had been scheduled to open in the month of October.

Mr. AZIZ AHMAD (Pakistan) requested that a date later than 6 October be fixed for the presentation of any list of items which governments might wish to withdraw under Article XXVIII because his delegation, owing to certain practical difficulties, was not yet in a position to give details. A similar position was taken by Mr. PERRERA ARANGO (Cuba). The CHAIRMAN assured both speakers that the Working Party at its next meeting would give consideration to the matter and suggested they attend the meeting to put forward their views.

2. Arrangements for the Christmas Holidays (T/INF/4)

The CHAIRMAN referred to the note of the Executive Secretary suggesting that the Conference should recess at the close of business on 22 December 1950 and reconvene on 3 January 1951. An early decision was necessary for the
convenience of both the delegations and the hotels. He assured Mr. DOHET (Uruguay) and Sir STEPHEN HOLLES (United Kingdom) that any delegations which wished to carry on negotiations during the Christmas recess could do so, and the Secretariat would adjust their strength in accordance with requirements.

Mr. THORP (United States) said that members of his delegation would not be able to take full advantage of this facility but that he understood the feelings of those delegates who were nearer to their homes. He would find it difficult to support the proposal, because he thought it was important that the Conference should finish its work as soon as possible, but he would not vote against it if it could be assured that full advantage would be taken of the recess to speed up the negotiations.

Mr. STEYN (South Africa) and Mr. CASTRO LÉNÈZÉS (Brazil) associated themselves with the remarks of Mr. THORP.

Mr. HERRERA ARANGO (Cuba) supported the proposal which he considered would not lengthen the Conference. "Apart from the advantages of a rest in the middle of the Conference, he would take the opportunity to have one or two delegates fly home and settle all matters which the exchange of telegrams and letters with his government had not been able to clear up.

The Committee agreed that the Conference should recess at the close of business on 22 December 1950 and reassemble on 3 January 1951, and the Executive Secretary undertook to inform delegations of the last date by which they should notify the hotels in which they are living if they wished to remain through the recess.

3. Communication to the Press of Programmes of Negotiations

After discussion it was agreed that no programme should be published and that the information divulged should be limited to the numbers of negotiations arranged. It was also agreed that the Order of the Day which lists the negotiations to be held should be issued as a restricted document.

4. Statements on General Problems of the Tariff Negotiations

Mr. VAN BLANKENSTEIN (Netherlands) made the following statement:

"The Netherlands delegation are grateful to you for the opportunity you have given them to say a few words on the general attitude of their Government to the tariff negotiations about to be started. I am afraid that a great deal of what I shall have to say will not be altogether new, but I hope that you and the members of this Committee will bear with me.

"In speaking at the Geneva meeting of the Contracting Parties Mr. Spierenburg stressed the problem of the marked difference in levels of tariff rates that still exists between different countries. He declared, and I can only repeat his words, that the freeing of trade from quantitative restrictions must necessarily be frustrated by large inequalities in the level of tariffs and that such inequalities would in particular prevent a healthy integration of European economy.

"The Netherlands Government therefore expect this conference to contribute in a considerable manner to the establishment of an equilibrium in the rates of tariffs, particularly in Europe. It is at Torquay that the problem of equality of access to the home markets of contracting parties should at least to a large extent be solved. This should obviously not be done by increasing low rates but by decreasing high rates. Such is the object of the Netherlands delegation, and I am afraid that my delegation could not conclude any agreement that would fall short of that aim. Perhaps in former years the importance of duties on imports was not so much felt. Quantitative
restrictions constituted in those days the first and most urgent problem. Nowadays nobody doubts the importance of import duties, and should the Netherlands Government again limit their freedom by concluding agreements then such agreements should solve our main problem. Failing that it would be preferable to retain our freedom as to new concessions as well as to old concessions already granted.

"Let us, however, not be pessimistic, Mr. Chairman, and let us trust that this conference will really succeed in obtaining the desired equilibrium in tariff rates by the extensive application of our rule that the consolidation of a low duty equals a substantial reduction of a high duty. If that is achieved it may certainly be said that we did not spend our time in Torquay in vain."

M. LE GHATT (Belgium) associated himself with the statement made by Dr. Van Blankenstein. The disparity in customs' tariffs, particularly in Europe, was a very effective obstacle to the liberalization of trade, as it was through the General Agreement that such disparity could be removed, he hoped that no efforts would be spared to achieve this objective. Otherwise certain delegates might well find themselves at the end of the Conference in a position which would make it difficult for them to renew their commitments.

Mr. DUHR (Luxemburg) wished to express his full agreement with the statements of the representatives of Netherlands and of Belgium.

Mr. SVEINBJÖRNSSON (Denmark) made the following statement:

"The speeches we have heard encourage me to ask for your permission to say something to supplement what our Benelux colleagues have said. When the Contracting Parties, in March of this year in Geneva, discussed the problem of revalidation of the Geneva and Jumex Schedules, I was given the opportunity to explain the position of my country. It is not necessary to repeat all I said, but I would say this:

1) Our tariff has for many years been amongst the lowest, perhaps the lowest.

2) Our tariff, which, for the moment, to a large extent is based on weight, has become still lower owing to the rise in prices.

3) The expanding liberalization of trade means, that the tariff problem is becoming of greater and greater importance.

"I want to stress, that we are certainly not opposed to the liberalization of trade and removal of barriers to trade - on the contrary; but we do not think it unjust to claim that we should have the opportunity to compete with others on equal terms, and this applies to agricultural as well as to industrial products. We are interested in the lowest possible level of tariffs.

"These points of view we have often stressed, when problems of this kind have been dealt with at international conferences. Taking these points into account we had in Geneva to reserve our position when discussing the revalidation problem, and we made it clear that we attach great importance to the establishment of a more even level of tariffs. I therefore think it is very useful that we should have this opportunity to repeat what we said before the countries start their bilateral negotiations.

"I am not over-optimistic with regard to what my country can do to influence the negotiations here in Torquay. Offers of the smaller countries, especially when they have low tariffs, do not have the same weight and influence as offers extended by one of the bigger countries. This is obvious, and it needs no further explanation; we are so realistic that we clearly see that ourselves."
When saying this I do not forget the accepted principle, that the binding of low tariffs should be considered equivalent to substantial reductions of high tariffs.

"What, then, can the smaller countries - and there is quite a number of them here in Torquay - hope for, and what can we do? I think we can make a most earnest appeal to the bigger countries and especially to the biggest and most powerful of them. If the biggest countries could agree amongst themselves on further and substantial reductions, the whole procedure here in Torquay would be much more easy. That seems indisputable.

"I hope, Mr. Chairman, that I may have your permission to give some quotations in support of my argument. May I first quote the following from the "Economic Cooperation Act" passed in 1948 in U.S.A. This act is the foundation of the generous Marshall-aid for which we are most thankful. From Section 102, "Findings and Declarations of Policy" I quote the following:

'The accomplishment of these objectives calls for a plan of European recovery, .... to bring about the progressive elimination of trade barriers. Mindful of the advantages which the United States has enjoyed through the existence of a large domestic market with no internal trade barriers, and believing that similar advantages can accrue to the countries of Europe, it is declared to be the policy of the people of the United States to encourage those countries through a joint organization to exert sustained common efforts as set forth in the report of the Committee of European Economic Cooperation signed at Paris on September 22, 1947, which will speedily achieve that economic cooperation in Europe which is essential for lasting peace and prosperity.'

"From the "Convention for European Economic Cooperation", I quote Article 6, also pointing to the importance of tariff reductions:

'The Contracting Parties will cooperate with one another and with other like-minded countries in reducing tariff and other barriers to the expansion of trade, with a view to achieving a sound and balanced multilateral trading system such as will accord with the principles of the Havana Charter.'

'By the way, we are now taking part in the special discussions in the O.E.E.C. concerning so-called excessive duties, and we hope that results will be achieved.

"My last quotation is from the 1950 Annual Report of the International Monetary Fund, page 26:

'How far the expansion of exports will in fact contribute to the restoration of an international balance will also depend on the surplus countries. If they provide large and growing markets, if they facilitate imports and capital outflow, the possibility of establishing a strong and well-balanced pattern of international payments will be much greater. Higher incomes in the United States, Canada, and other Western Hemisphere countries would assure a demand for imports from all parts of the world greater than at any time since the end of the war. This should now be supplemented by lowered tariffs and the removal of trade preferences and other devices that limit the ability of the surplus countries to achieve a substantial increase in their imports.'

"As GATT-members we are trying to realize in practice the ideals in which we all believe and have declared to be our final goal, and we sincerely hope that it will be possible to go further in this direction during this conference. But - to repeat - this is in my opinion to a very large extent dependent upon the position the biggest countries take up. They are negotiating on equal terms, and they therefore have the key in their hands.
"In concluding this appeal to the big countries, I would like to add that the successful following up of the work successfully initiated in Geneva and Annecy is of importance not only from a strictly commercial point of view. We all know that common economic interests are of immense importance for strengthening the general feeling of solidarity, and our negotiations, therefore, have in the long run a far-reaching effect.

"Maybe we will not see all our hopes fulfilled in the coming months - and if so we must in the meantime try to find out what we can do ourselves in order to meet our own difficulties. But not lightly will we give up the hope that the big countries will remove such obstacles as may exist to the full realization of our declared common aim."

Mr. GISLE (Sweden) said his delegation fully shared the views expressed by the previous speaker. It was, of course, essential for the success of the Conference that the big trading nations, on both sides of the Atlantic Ocean, come to terms with each other and bring about a lowering of their tariff levels. Before that had been done, there was really not very much that the smaller countries, with lower tariff levels, could do. However, he was not going to enlarge upon this subject now - his delegation would stress its points of view in the bilateral negotiations, as occasion arose, and, in particular, they would not let it be forgotten that the binding of a low duty was to be considered equivalent to a substantial reduction of a high duty.

Dr. KARTADJOEMENA (Indonesia), recalling that his country also had a low tariff, fully supported the previous statements which stressed the importance of a concession which amounted to the binding of a low tariff rate.

Mr. BURRESEN (Norway) said that Norway was to some extent confronted with the same problems as those mentioned by previous speakers and his delegation agreed in general with the statements made. As a small country with relatively low tariff levels, they had found it very difficult during previous negotiations to obtain the necessary concessions from the high tariff countries. This was mostly due to the fact that insufficient attention has not been paid to the accepted principle that the binding of a low tariff should be equivalent to the substantial reduction of a high tariff. The Norwegian Delegation was therefore of the opinion that the successful progress of the present negotiations would to a great extent depend upon this principle being followed in practice. He also drew special attention to what had been mentioned by the Danish delegate that the high-tariff countries between themselves should take steps to reduce their tariffs in order to bring about a more uniform tariff level for all the participating countries. Finally, he said it did not seem realistic to hope for much benefit from the relaxation of quantitative restrictions if the level of high tariffs was not brought down. The Norwegian Delegation trusted, therefore, that a practical solution would be found for these problems during the coming negotiations.

Mr. DESAI (India) agreed with the main point raised, viz. the reduction of high tariffs, but wished to call the attention of all participating governments to the special position of under-developed countries. Tariffs in under-developed countries served one of two purposes. Some were required to give protective shelter from the competition of countries in a temporarily more favourable position. These could not easily be reduced as the development of the area concerned would thereby be endangered. Others were revenue tariffs as in most cases they constituted an important source of revenue, the other forms of direct taxation being of less importance due to low incomes.

The second point raised by Mr. Desai was that most under-developed countries were exporters of raw materials, minerals or elementary products, such as coffee, tea, cocoa, spices, etc. A relatively small reduction in the duties imposed on such products could not be considered equivalent to a similar reduction in the duties applied to industrial products by under-developed
countries. The latter meant a greater sacrifice and must be adequately evaluated. He thought the participating governments should bear in mind the fact that they were, in accordance with the accepted objectives of the Agreement, aiming not only at the expansion of international trade but also at the raising of standards of living and of the level of employment.

Mr. HERRERA ARANGO (Cuba) found that the arguments put forward by the spokesmen of low-tariff countries and by the representative of India were of the greatest interest. The latter's views in particular were of great importance to many countries, for instance his own, which was also a producer of elementary products, a factor which should be taken into account in the evaluation of concessions. While both points of view were valid and worthy of the greatest attention, they could not be applied to all cases and, therefore, each item under negotiation should be examined in the light of its own special circumstances.

The CHAIRMAN thought that the issues raised were of the highest importance and urged all delegations to give careful consideration to them.

The Committee agreed to continue the discussion at their next meeting on Wednesday, 4 October.

5. Examination of Instruments of Accession

The CHAIRMAN recalled that at the previous meeting he had suggested the setting up of a Legal Working Party to study the various proposals relating to the formal embodiment of the results of the tariff negotiations. No general discussion would be helpful at the present stage. The best manner of dealing with the question was to entrust the examination of various points of view to a small working group of experts for the drafting of the necessary documents. He expressed the hope that the Committee could consider and approve the drafts submitted by the Working Party in time for the meeting of the Contracting Parties which was to start on 2 November 1950. He suggested that not more than 6 members sit on this working Party but pointed out that they would be free to call upon the assistance of legal advisers from other delegations, and he asked all delegations which might have suggestions to make to submit them to the Secretariat as soon as possible. Replying to Sir Stephen Holmes (United Kingdom) the CHAIRMAN said he did not think the Working Party could meet before two weeks from the present date as delegations had to be given time to present their suggestions.

The Committee agreed to the setting up of the Working Party to examine the juridical aspects of the instruments of accession and approved its composition as follows:

Austria  
Cuba  
France  
Philippines  
United Kingdom  
United States

The CHAIRMAN repeated his recommendation that all delegations carefully study the Secretariat document, GATT/TN.2/12, and submit their suggestions to the Secretariat. The Working Party would commence its work when delegations had had reasonable time to formulate their proposals.

The meeting adjourned at 12.45 p.m.