GENERAL AGREEMENT ON TARIFFS AND TRADE

DRAFT PRESS RELEASE
ON AGENDA OF SEVENTH SESSION

Following the arrangements made at previous Sessions a draft press release on the main agenda items has been prepared and is submitted to the Contracting Parties for their approval.

Delegations are asked to send their comments and revisions to the Information Officer, room 416D, not later than 6.00 pm. on Friday 3 October. A revised draft will be submitted to the Contracting Parties at their meeting on Monday morning 6 October with a view to receiving final approval for release to the press on Monday.

This draft release remains RESTRICTED until it has been approved for publication by the Contracting Parties.
Guidance for Press Correspondents
on the Agenda of the Seventh Session of the
Contracting Parties to the General Agreement on Tariffs and Trade

The Seventh Session of the Contracting Parties to the General Agreement on Tariffs and Trade opened at Geneva on 2 October 1952. The Session, which is a regular business meeting of the representatives of the governments that are contracting parties to GATT, is expected to continue for some weeks. All the meetings are closed. The Chairman of the Contracting Parties is Mr. Johan Melander, Director of Commercial Policy, Ministry of Foreign Affairs, Norway. The Vice-Chairman is Mr. J.A. Tonkin, Australia.

There are today 34 countries which comprise the Contracting Parties to the General Agreement. A further three countries have already undertaken tariff negotiations with a view to acceding to GATT, namely Uruguay, the Philippines and Korea. The full list of contracting parties together with other governments and intergovernmental agencies represented at this Session by observers is given on the final page of this guidance.

In the comments which follow on the main items of the agenda a rough and ready division has been made, for the convenience of correspondents, into

a) items arising out of the operation of the Agreement and its protocols,
b) tariffs and tariff negotiations,
c) miscellaneous items, proposed by governments and non-governmental organizations,
d) the administration of the Agreement,

There is of course no formal division of this kind in the work of the Session. On certain items, where detailed information has not yet been made available, further descriptive comments will be issued later.
BALANCE OF PAYMENTS IMPORT RESTRICTIONS

GATT contains a general ban on the use of prohibitions or quota restrictions on imports and exports. However, certain exceptions are provided to permit the use of restrictions in defined circumstances, of which the most important is the need to safeguard a country's external reserve position and balance of payments. This exception is contained in Article XII.

GATT also contains a provision that where quantitative restrictions are imposed they shall in general be applied without discrimination as between the contracting parties. Special arrangements are, however, provided in Article XIV for the discriminatory application of balance-of-payments restrictions during the so-called post-war transitional period.

Under Article XIV:1(g) the Contracting Parties are required to report annually on all such measures in force. (Two such annual reports have been made.) They are also required to hold consultations each year with those governments which maintain discriminatory restrictions under certain provisions of the Agreement, which are not directly related to analogous provisions of the Articles of Agreement of the International Monetary Fund.

Quite apart from the question of discrimination, certain governments have substantially intensified their import restrictions in the past months. Under the terms of Article XII:4(b) they have been invited to consult on these new measures. These consultations will also take place at the Seventh Session.
SOUTH AFRICA - SOUTHERN RHODESIA CUSTOMS UNION

In 1949 the Contracting Parties decided that South Africa and Southern Rhodesia were entitled to claim the benefits of Article XXIV relating to the formation of Customs Unions. Under Article XXIV the Contracting Parties are mainly concerned with two points: first whether the interim arrangement between two or more countries which intend to form a customs union is likely to result in the formation of a full Customs Union, and secondly, whether the interim period is a reasonable one.

In accordance with the declaration of 18 May 1949 the two governments have submitted a Report on the progress achieved in the first three years towards the elimination of tariffs and other restrictive regulations of commerce between the two countries and towards the application of a common tariff and other regulations to the trade of other contracting parties. This Report, together with the Third Annual Report of the Southern Africa Customs Union Council will be examined at this Session.

NICARAGUA - EL SALVADOR FREE-TRADE AREA

At the Sixth Session the Contracting Parties examined the Treaty of August 1951 between Nicaragua (a contracting party) and El Salvador (a non-contracting party) for the establishment of a free-trade area. They decided that Nicaragua was entitled to resort to the provisions of Article XXIV relating to free-trade areas. Nicaragua has undertaken to furnish annual reports on the action taken in respect of certain articles of the Treaty which reserve the right to impose quantitative restrictions on specific imports and to make changes in the lists of products entitled to customs exemption when exported and imported between the two countries.
The first annual Report by Nicaragua will be examined at this Session.

ACCESSION OF JAPAN

On 18 July 1952 the Government of Japan notified its desire to negotiate for accession to GATT under the procedure approved at the Sixth Session. A number of contracting parties indicated that owing to the importance of Japan in international trade they considered the application should be examined at a session of the Contracting Parties.

PROTOCOLS AND SCHEDULES

Under this item the Contracting Parties will have to consider the further extension of the time limit for signature of the Torquay Protocol by Brazil, Nicaragua, Korea and the Philippines. Two of these countries, Korea and the Philippines have not yet acceded to the Agreement. The position of Uruguay which has not yet signed the Annecy or Torquay Protocols may also be considered.
ITEMS FALLING UNDER ARTICLE XXIII

"COMPLAINTS" PROCEDURE

Article XXIII provides a procedure whereby complaints of infringements of the GATT, or nullifications or impairments of benefits under the GATT, which cannot be settled through normal channels may be brought before the Contracting Parties. This Article states that complaints that benefits which should accrue under the GATT are being nullified or impaired are to be addressed in the first instance to the contracting party concerned. If no satisfactory adjustment is effected, the Contracting Parties may be asked to investigate and to make recommendations or give rulings. They may authorize injured parties to suspend obligations or concessions.

At the Seventh Session, as at previous sessions, the Contracting Parties will consider complaints which have been introduced under Article XXIII: some of these are cases that have been reviewed at earlier sessions, some have been newly introduced at this session for the first time.

(a) cases introduced at earlier Sessions:

Brazilian Internal Taxes
United Kingdom Purchase Tax
United States Import Restrictions on Dairy Products
Belgium's "Allocations Familiales"
Belgian Import restrictions on Dollar Goods.

BRAZILIAN INTERNAL TAXES

At the Third Session the Contracting Parties dealt with an increase in the element of discrimination in certain Brazilian internal taxes against certain French, United Kingdom and United States exports, such as cognac, aperitifs,
watches and clocks, beer and cigarettes. Subsequently Brazil gave an assurance that a proposal for amending the legislation would be submitted to the Congress. At the Fifth Session the Contracting Parties, at the request of Brazil, examined a draft law modifying the present legislation on consumption taxes which was being considered for submission to the Brazilian legislature, and it was considered that the draft law would, on the whole, remove the internal tax discrimination introduced since 1947 and bring Brazil's consumption tax legislation into conformity with the Agreement as applied under the Protocol of Provisional Application.

It has been reported to the Contracting Parties that the Brazilian Congress is currently considering a draft law to meet Brazil's obligations under the Agreement, and that further information may be available for the Seventh Session.

UNITED KINGDOM PURCHASE TAX

At the Fifth Session several governments including those of the Netherlands, Canada, France and Italy drew attention to the effect of the United Kingdom's purchase tax system on certain imports. They complained that the imposition of purchase tax on imported goods comparable in price and quality with home-produced utility goods which were for the most part exempt from purchase tax was having the effect of affording protection to domestic industries in addition to that provided by the tariff, and they asked for a decision by the Contracting Parties on the question whether the discriminatory levy of purchase tax on imported goods of utility type was consistent with the provisions of Article III of the Agreement. The United Kingdom delegate admitted at the Fifth Session that the utility system had come to have a protective effect in practice though not intended for that
purpose and was hopeful that it would be possible before long to remove
the element of discrimination.

At the Sixth Session the United Kingdom delegate reported that it
was the firm intention of his government to abolish the element of dis­
crimination against imports and that the committee which had been set up
to review the whole Purchase Tax Utility System needed further time to
complete its work; the Contracting Parties agreed to maintain the item
on the Seventh Session agenda.

The United Kingdom Government have now informed the Contracting
Parties of the new arrangements with regard to Utility/Purchase Tax on
textiles, clothing and footwear which were provisionally introduced in
March 1952 in the Budget and which, with certain modifications, are now
in force under the Finance Act, 1952. These arrangements, it is stated,
remove the discrimination in regard to Purchase Tax between domestically
produced and imported textiles, clothing and footwear, thus bringing the
administration of the United Kingdom Purchase Tax in full conformity with
the provisions of the GATT.

UNITED STATES IMPORT RESTRICTIONS ON DAIRY PRODUCTS

At the Sixth Session the delegates of the Netherlands and Denmark,
supported by the delegates of Italy, New Zealand, Norway, Australia, France
and Canada, complained that the effect of the restrictions on imports
introduced by the United States under Section 104 of the United States
Defense Production Act constituted a nullification or impairment of
concessions granted by the United States within the meaning of Article
XXIII and that the restrictions constituted an infringement of Article XI.
The restrictions went into effect on 9 August 1951. Contracting Parties
agreed not to press the matter to a decision at the Sixth Session but to maintain this item on the agenda in view of the serious efforts being made by the Executive Branch of the United States Government to have Section 104 repealed.

When the United States Defense Production Act was renewed by the United States Congress in July 1952, Section 104 was retained but was amended. Subsequently the United States Government has in fact taken a number of steps to reduce the scope and severity of the restrictions.

BELGIUM'S "ALLOCATIONS FAMILIALES"

A system providing for family allowances to workers is in force in Belgium by virtue of an Act of 4 August 1930. The system is financed by contributions imposed upon the Belgian employers, and in order to counterbalance these contributions a special tax of 7.5 per cent ad valorem is levied on products imported by the Belgian governmental, provincial and municipal authorities. Exemption from this import tax can be granted in the case of importation from countries where similar contributions are imposed upon the employers either by law or by collective agreements.

At the Sixth Session the Danish and Norwegian Governments pointed out that, as certain contracting parties have obtained an exemption from the tax (for the reason stated above), they had requested the Government of Belgium to grant them similar treatment, claiming that their social legislation must not be considered less costly or less developed than the legislation in this field in Belgium. Nevertheless the Belgian Government had not yet found it possible to be in favour of the Danish or Norwegian requests for exemption from the special duty. The Delegations of Austria and Finland reserved their rights in the matter.
The Contracting Parties at the Sixth Session considered that the element of discrimination was not in conformity with Article I and - in view of a request by the Delegation of Belgium for time to make the necessary administrative changes - a delay was granted.

**BELGIAN IMPORT RESTRICTIONS ON DOLLAR GOODS**

At the Sixth Session the delegations of the United States and Canada complained that import restrictions imposed by the Belgium-Luxembourg Economic Union had damaged their trade and that the matter should be dealt with by the Contracting Parties as a departure from obligations under the GATT. It was agreed not to pursue the matter further during the Sixth Session, bearing in mind an assurance from the Belgian delegation that the B.L.E.U. was not altering the fundamentals of its commercial policy, that Belgium intended to abide by the rules of GATT and that these dollar restrictions might be removed in the near future.

In February 1952, the GATT Intersessional Committee appointed a working party to consider the matter, to be convened only when the International Monetary Fund should make available certain information concerning Belgium. It is expected that this information will be available by the beginning of the Seventh Session.

(b) **cases introduced for the first time at this Session**

- Imposition of Import Taxes on Items in Schedule XXV - Greece
- Increase of Import Duties in Schedule XXV - Greece
- Increase in the United States Duty on Dried Figs
- United States Subsidy on Exports of Sultanas
- Treatment of Imports of Norwegian Sardines by Germany
IMPOSITION OF IMPORT TAXES ON ITEMS IN SCHEDULE XXV - GREECE

On 10 November 1951 the Greek Government applied a special tax on certain imported products, most of which are contained in Schedule XXV of the GATT; and on 27 November 1951 a tax of 100 per cent ad valorem was placed on imports of certain types of cotton thread. In the view of the French Government these charges constitute customs surtaxes and are contrary to the terms of Article III; the French Government has asked that the Contracting Parties should recommend Greece to withdraw these taxes.

INCREASE OF IMPORT DUTIES IN SCHEDULE XXV - GREECE

The Greek Government applies differing "coefficients" to various positions in its customs tariff, for the conversion of metallic drachmae rates of customs duty into paper drachmae rates. In Schedule XXV of the GATT the Greek Government bound against increase the coefficients applied before 1939 (for the conversion of metallic drachmae rates of customs duty into paper drachmae rates) on items included in the schedule. The United Kingdom Government has brought to the attention of the Contracting Parties the decision of the Greek Government, taken on 10 July, contrary to their obligations under Article II:1, to increase the pre-war coefficients on a number of items in Schedule XXV of the GATT.

INCREASE IN THE UNITED STATES DUTY ON DRIED FIGS

The United States import duty on dried figs was increased to 4½ cents per pound on 30 August 1952. This action was taken following a unanimous report by the United States Tariff Commission, invoking Section 7, the "escape clause" of the Trade Agreements Extension Act 1951, and in reliance on GATT Article XIX.
The former rate of duty was 2½ cents per pound, which was a trade agreement concession granted to Turkey at the Torquay negotiations in 1951. The previous rate was 3 cents, negotiated with Greece at Annecy in 1949. The details of this complaint which was proposed by Greece, will be given later.

UNITED STATES SUBSIDY ON EXPORTS OF SULTANAS

This item was proposed by Greece and details will be given later.

TREATMENT OF IMPORTS OF NORWEGIAN SARDINES BY GERMANY

The Government of Norway has informed the Contracting Parties that the Federal Republic of Germany is discriminating in three different ways against imported Norwegian sardines. The details of this complaint, which are stated to be concerned with German customs duties, German internal taxes and German liberalized import lists, will be described when this matter is dealt with during the Session.
At the Sixth Session the French Delegation put forward a plan that tariffs should be lowered by 30 per cent on a worldwide basis in three yearly stages of 10 per cent. This plan — the "Pflimlin plan" — was proposed by M. Pflimlin when Minister of Trade; it was a counter proposal to a Benelux scheme introduced at Torquay earlier in 1951 with the support of the Scandinavian countries, which was designed to remove the disparity in the level of their tariffs on the one hand and those of other European countries, particularly France and Italy, on the other.

A GATT working party was set up to consider the reduction of tariff levels and, more recently, a sub-group of the working party has held three meetings and completed a report. This report which elaborates the technical aspects of the French Plan for a general lowering of customs tariffs will be considered by the working party early in the Session so that the matter can be taken up by the Contracting Parties later in the Session.

The Council of Europe has submitted to the Contracting Parties a Recommendation concerning the adoption of a common policy for lowering tariff barriers in Europe. This proposal will be dealt with separately from the French Plan so as to avoid confusion. A report on the technical implications of the Council of Europe will be prepared during the Session, and after it has been approved by the Contracting Parties it will be transmitted to the Council.
ITALIAN SPECIAL TREATMENT FOR LIBYAN PRODUCTS

The Contracting Parties agreed at the Sixth Session to a request by the Government of Italy for authority to continue to exempt from customs duties certain goods originating in and coming from Libya and imported into Italy. This waiver was granted up to 30 September 1952, and on the recommendation of the Intersessional Committee the date was extended by postal ballot. A request by the Italian Government for authority to continue special customs treatment towards certain Libyan products will be considered at this Session.

MODIFICATION OF CUSTOMS TARIFF OF FRENCH WEST AFRICA

(A note on this item will be provided later.)
EUROPEAN COAL AND STEEL COMMUNITY

The Treaty setting up the Coal and Steel Community (the Schuman Plan) entered into force recently and the High Authority held its first meeting on 10 August 1952. The High Authority has indicated its intention to create a common market for coal by 10 February 1953 and for steel by 10 April 1953.

The Coal and Steel Community in effect represents a single customs territory for the purpose of the production of and trade in coal, iron ore, iron, steel and semi-manufactures. This means that while trade in these commodities within the six territories constituting the Community (France, Netherlands, Belgium, Luxemburg, Federal Republic of Germany and Italy) should be free, thus creating a single market, whereas similar facilities are not extended to countries outside the Community. For this reason—and without going into technical details—the six contracting parties which constitute the Community will be obliged to seek a waiver of certain obligations of the GATT, particularly the most-favoured-nation provisions of Article I.

It should be stressed, however, that it is the avowed aim of the Community not to raise barriers to the trade of the other contracting parties with members of the group. On the contrary it is hoped that the increased strength of the participating countries will allow them to trade even more freely with the rest of the world than hitherto.

A fuller explanatory note on this item of the agenda will be issued later in the Session.
The Thirteenth Congress of the International Chamber of Commerce, held in Lisbon in June 1951, passed a series of resolutions relating to the reduction of barriers to trade. Among them were resolutions dealing with the Valuation of Goods for Customs Purposes, Nationality of Manufactured Goods, Documentary Requirements, Consular Formalities, Formalities connected with Quantitative Restrictions, and Customs Treatment of Samples and Advertising Matter. These resolutions were submitted to the Contracting Parties.

At the Sixth Session the Contracting Parties set up a working party which prepared the text of a Draft Convention for the purpose of facilitating the Importation of Commercial Samples and Advertising Material.

The same working party also drew up Draft Recommendations on Consular Formalities and Draft Recommendations on Documentary Requirements for the Importation of Goods.

The Draft Convention and the two sets of Draft Recommendations were circulated to governments and to the International Chamber of Commerce for study and comments, with a view to further action at the Seventh Session.

In addition to the above Draft Convention and Draft Recommendations, four further resolutions of the International Chamber of Commerce are on the agenda of the Seventh Session: these concern

(a) Valuation of Manufactured Goods,
(b) Nationality of Manufactured Goods,
(c) Formalities connected with Quantitative Restrictions,
(d) Sanctity of Contracts.
Further information on these items will be provided in the course of the Session.

The Administration of the Agreement

The agenda items which fall under the administration of the Agreement are of a routine character:

(a) election of the chairman and vice-chairman of the Contracting Parties. The term of office of the present Chairman, Mr. Johan Melander, Norway, and the present Vice-Chairman, Mr. J.A. Tonkin, Australia, expires at the beginning of the Seventh Session;

(b) review of arrangements for the continuing administration of the Agreement;

(c) Financial Statement and Budget Estimates;

(d) Relations with the United Nations;

(e) Publication of an Annual Report.
### Thirty-four Contracting Parties to the General Agreement

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**Governments represented by Observers at the Seventh Session**

*(to be completed)*

**Intergovernmental Organizations represented at the Seventh Session**

*(to be completed)*