At the meeting of the Contracting Parties this afternoon, Mr. Zdenek Augenthaler, Head of the Czechoslovak Delegation, introduced agenda item 14, which states:

Request of the Government of Czechoslovakia for a decision under Article XXIII of the GATT as to whether or not the Government of the United States has failed to carry out its obligations under the Agreement through its administration of the issue of export licenses.

Mr. Augenthaler opened his statement by saying he would do his best to comply with the Chairman's wish stated at the beginning of the session not to stray from the facts and figures of economics to the area of political debate.

Mr. Augenthaler went on to recall the relevant provisions of the GATT:

- Article I, which contains the paramount rule of General Most-Favoured-Nation treatment.
- Article XIII, which states the rule against discrimination by a contracting party in its export policy.
- Article XIV, which deals with exceptions to the rule of non-discrimination.
- Article XX, paragraph 2, which deals in detail with certain aspects of discrimination.
- Article XXI, paragraph b(ii), which allows a contracting party to take any action which it considers necessary for the protection of its essential security interests relating to arms traffic and to traffic in other goods carried on for the purpose of supplying a military establishment.

Mr. Augenthaler went on to examine U.S. export controls and how they are administered.

He quoted first a publication of the U.S. Department of Commerce, "Comprehensive Export Schedule No. 26", issued on October 1, 1948. This, he said, classified various country groups for the purpose of export control: in particular he referred to a country group "R", comprising practically all European countries and their
adjacent possessions. Within this group, he said, there is another group which does not appear in the published schedules, but which is of greatest importance to Czechoslovakia. To illustrate this, Mr. Augenthaler quoted a statement of Mr. Willard L. Thorp in Committee 2 of the General Assembly, 4 November 1948. Referring, on this occasion, to U.S. control of shipments to Eastern Europe, Mr. Thorp had said that, in practice, shipment to countries not participating in the European Recovery Programme had been carefully scrutinized "to prevent the shipment to Eastern Europe of things that would contribute significantly to the military potential of that region."

Mr. Augenthaler said that the notion of "war or military potential" was an extremely elastic notion, capable of very wide application. But the GATT speaks only about "military establishments", he added.

Mr. Augenthaler also pointed out that all U.S. exports to Canada were free and no licenses were required. This, in his opinion, was a discrimination against all other contracting parties, contrary to the basic principles of GATT, Article I and XIII, paragraph one.

Mr. Augenthaler then quoted a statement made by Thomas C. Bleisdell, Acting Assistant Secretary of Commerce, on January 31, in which he said, "except for commodities in short supply, shipments are being licensed fairly freely, but shipments to Eastern Europe have been carefully restricted".

"I assume", said Mr. Augenthaler, "that these statements are closely connected with the famous secret lists, A and B, the existence of which nobody has denied. I would be obliged", he added, "to the U.S.A. delegates if they would, in accordance with Article XIII, paragraph 3, provide us with all relevant information concerning the administration of the restrictions and the distribution of such licences." (Note: this paragraph states that contracting parties applying import restrictions must, upon request, provide all relevant information).

It can be seen from these statements, said Mr. Augenthaler, that:

1) existing restrictions have been intensified since 1 March 1948, that is, since the entry into force of the GATT.

2) the reason for intensifying the restrictions in most cases was not that of short supply.

3) two main reasons for discrimination are involved, namely security reasons, and participation or non-participation of a country in the European Recovery Programme.

Turning to discrimination under E.R.P., Mr. Augenthaler cited the Foreign Assistance Act of 1948. This law, he said, was passed on April 2 1948 and was signed by the President on April 3; that is, after the entry into force of the GATT.
In consequence, said Mr. Augenthaler, it should contain no provisions which were clearly inconsistent with the GATT.

U.S. export controls, said Mr. Augenthaler, are:

a) contrary to the basic principles of GATT Article I in requesting licenses for exports to some destinations and none to others;

b) administering export licenses contrary to the provisions of Article XIII.

As to the consequences of the U.S. measures on Czech trade, Mr. Augenthaler said that Czechoslovakia had ordered many products, in their view none of them for a military establishment. He mentioned equipment for dried milk production, electrodes, electric wire, X-ray tubes, equipment for mines and for the Czech State Mint. "We had to pay in advance for most of the goods ordered and now these goods are lying in the U.S. factories or warehouses and some 27 millions of dollars are blocked in this way", he said. "We also know that the U.S. has handed over to other countries its secret lists of prohibited goods", Mr. Augenthaler added.

Finally, Mr. Augenthaler dealt with the obligations of the Contracting Parties:

"We have signed the GATT, confident that it would bring a certain sense of security and legality into international trade relations leading to an expanding exchange of goods and ensuring full employment. Instead we are faced with the greatest insecurity and with measures which are leading to an inevitable decrease in our trade with certain countries."

"How can our enterprises be expected to place their orders with the factories of those countries in which, either through State intervention or the possibility of State intervention millions of our money remain, or may remain, frozen?"

Addressing the Contracting Parties, Mr. Augenthaler concluded:

"We expect your decision to be just and fair, and to renew the badly shaken confidence, because otherwise it would allow each country to do to other countries practically what it wishes. The work we have done until now would be completely destroyed and a big question mark would be placed above the not yet existing ITO."

"As soon as you would admit that a country may impose restrictions and special formalities on exports to some destinations and none to others, the Most-Favoured-Nation-Treatment would cease to exist and we would be in the midst of wildest economic warfare instead of peaceful cooperation."

In accordance with GATT Article XXIII, paragraph 1 (nullification or impairment of benefits), Czechoslovakia had approached the U.S. State Department on 2 December 1948,
but no reply had yet been received, Mr. Augenthaler said.

The Chairman of the Contracting Parties, High Commissioner Dana Wilgross, proposed, and the Contracting Parties agreed in view of the importance of the Czechoslovak statement, that further consideration would be delayed until delegations had had time to study it.

Mr. John Evans, United States, in agreeing to this procedure, said he assumed that a very detailed reply would be required. Meanwhile, on the suggestion of the Chairman, he supported a fuller press release than usual. This was agreed.