This afternoon the Contracting Parties heard the reply of the United States Delegation to the speech by the Head of the Czechoslovak Delegation under Item 14 of the agenda.

The speech of Zdenek Augenthaler, Head of the Czechoslovak Delegation, was summarized in press release Annecy No. 38, of 30 May.

John W. Evans, Vice Chairman of the delegation of the United States, in his opening remarks, pointed out that the Czechoslovak charges were essentially similar to those made by the Czechoslovak and Soviet Delegations at the U.N. General Assembly in November 1948 and at four separate meetings of the Economic Commission for Europe. It was tempting, he said, to discuss the latest repetition of those charges as merely another move in a long political debate and to spare the delegates from having to listen once again to an answer which had satisfied their representatives in the past. The U.S. delegation was not, however, yielding to the temptation because the Czechoslovak complaint was framed in terms of the provisions of the GATT. The Contracting Parties were entitled to hear the answer, also within the framework of the GATT.

Before turning to the substance of the Czechoslovak complaint, Mr. Evans dealt with certain quotations in Mr. Augenthaler's statement: notably the reference to "war potential" in the speech of Mr. Willard Thorp. No Contracting Party could control the export of materials destined directly or indirectly for a military establishment, or of fissionable materials, without having regard to war potential, said Mr. Evans. Again, Assistant Secretary of Commerce, Mr. Blaisdell, had said that the United States was carefully restricting exports to Eastern Europe. This, said Mr. Evans, was entirely within their rights if that restriction was based on the exceptions in the GATT. Lastly, in quoting the Foreign Assistance Act of 1948, Section 112g, Mr. Augenthaler had failed to include the proviso which states that an export may be authorized if it is determined that such export is otherwise in the national interest of the United States. It is clearly the right of any Contracting Party, said Mr. Evans, to make a distinction between different destinations in controlling the exportation of commodities covered by the exceptions provided in GATT.

Mr. Augenthaler had said that "all commodities, whether included in the so-called positive list or not, require a license for export to Group R destinations, except shipments within the dollar value limits of a general license." This statement is simply not true, said Mr. Evans. The Czech statement, he said, omits to point out that on the same page of the Comprehensive
Schedule as other provisions summarized in the Czechoslovak statement appears a description of general license "GRO", and the explanation that for all commodities on the so-called GRO list, no license is required for any destination whatever.

Mr. Evans then referred to "another major error in the Czechoslovak paper", the final paragraph of which stated that the United States Department of State had failed to reply to a verbal note delivered by the Czechoslovak Ambassador in Washington. Mr. Evans gave the following chronological account:

On 3 December 1948, the Czechoslovak Ambassador presented a Note to the Acting Secretary of State, including a list of rejected license applications. Much time was needed to reconcile the list with the records of the Department of Commerce, and in fact a large part of this list remains still unidentified. On 4 March 1949, the Secretary of State presented a Note to the Czechoslovak Ambassador, stating that the license applications were being re-examined. On 12 March, in acknowledging the Note, the Czechoslovak Ambassador concluded: "The Czechoslovak Embassy wishes to express its appreciation for the State Department's advice that in accordance with our request the list of export license applications is being re-examined and that pending applications will be given careful consideration and licensing actions in those numerous cases in which there is no question of short supply or security involved."

In reaching the heart of the question, Mr. Evans said there were two substantive charges to be dealt with:

(a) the general accusation that the United States is favouring Western Europe over Czechoslovakia in the administration of controls on short supply items, and that this is being done in an arbitrary manner which is in conflict with Article XX, paragraph 1.

(b) in the operation of security controls the United States is exceeding the scope of the security exceptions in Article XXI.

Dealing with the first of the above charges, Mr. Evans said that at no time had the United States denied a license to Czechoslovakia on the so-called positive list commodities. The denials of non-positive list commodities have clearly come within the security exceptions of GATT.

Turning to the second charge, Mr. Evans said that Article XXI provides that a Contracting Party will not be required to give information which it considers contrary to its security interests. The United States, he said, does consider it contrary to its security interest - and to the security interest of other friendly countries - to reveal some of the information requested by Mr. Augenthaler.

Turning to the descriptions of commodities, as given by Mr. Augenthaler, on which licenses had been denied, Mr. Evans said that the description of those items was highly misleading and in a number of cases, they had been entirely unable to identify the applications. Mr. Evans said that the Czechoslovak statement referred to denials of licenses for electrodes, X-ray
tubes and tungsten wire (referred to as "electric bulb wire"). While it was correct that some licenses for these commodities had been denied, the U.S. had approved licenses to Czechoslovakia since 1 March 1948 for 436,000 dollars worth of electrical equipment.

Regarding the rejection of applications for mining machinery, Mr. Evans said that they had received from Czechoslovakia an application for a substantial quantity of mining drills which were stated to be for coal mining. Experts, who had been consulted, agreed that the type specified was never employed in mining coal but was designed for the deep exploration of mineral deposits. "It happens", said Mr. Evans, "that while this application was being considered, the American press published an announcement of the discovery of an important uranium deposit in Czechoslovakia. I am sure it is not necessary for me to refer again to the exception in the GATT with respect to commodities relating to fissionable materials." Nevertheless, he added, Contracting Parties would be glad to learn that since 1 March 1948 the U.S. had approved license applications for machinery to Czechoslovakia amounting to 5,033,000 dollars.

Referring to the difficulty of obtaining accurate information, Mr. Evans instanced a number of applications for ball bearings, which were stated to be for use in the manufacture of agricultural machinery. Experts were convinced, however, that the size, type and degree of precision showed them to be destined for use in aircraft or for other military purposes.

Finally, Mr. Evans dealt with a general accusation, which he said was expressed or implicit in the Czechoslovak complaint: namely that the United States had tried to stifle the general flow of goods to Czechoslovakia, thereby preventing the conduct of its peaceful economic objectives. To prove that there was no foundation in the implication that a decline in U.S. exports to Czechoslovakia had resulted from U.S. export controls, Mr. Evans gave the following facts:

"Annual exports from the United States to Czechoslovakia in the two years 1937 and 1938 averaged something less than 19 million dollars. In the six months from August 1948 through January 1949 (the latest period for which figures are available) the United States validated export licenses to Czechoslovakia amounting to $12,833,874.- or at an annual rate of over 25 million dollars. Most of the export license denials that have been appealed or protested by Czechoslovakia are in the field of machinery. The average export of machinery to Czechoslovakia in 1937-1938 was $2,009,000. In the same six months period referred to above export license validations of machinery for Czechoslovakia amounted to $3,943,043 or at an annual rate of over $7,600,000.

"If", said Mr. Evans, "any further evidence is needed that the United States is not interested in stifling trade with Czechoslovakia, consider the significance of the GRO list. This is a list of nearly 1000 commodities on which no license is required for shipment to any destination. It includes those commodities, not in short supply, the military use of which is so
unlikely that we do not consider it necessary even to look at the end use or the consignee. Commodities are being added to this list as rapidly as it can be determined that they are entitled to this treatment. Since the beginning of this conference more than 500 items have been added to the list, a fact which received considerable comment in the press but which, apparently, did not reach the attention of the Delegation of Czechoslovakia."

Addressing the Contracting Parties, Mr. Evans said that his delegation had refrained from making counter-charges — charges which could be certainly supported by more facts than had been presented by Mr. Augenthaler. "We believe", he concluded, "we have played fairly with the Contracting Parties and hope that they will now dismiss the accusations of Czechoslovakia on the grounds that they are unsupported by the facts."

Mr. Zdenek Augenthaler said he would reserve his detailed comments on the U.S. reply. He said, however, that he was surprised that there had been no reply to his query as to why the U.S. favoured Canada in its export licensing system, while the rest of the world was more or less suspect. He asked if it was the opinion of the Contracting Parties that under GATT one country can allow exports entirely free to one country and not to other countries?

Mr. R.J. Shackle, United Kingdom, said that the U.K. admitted having a list of exports under license controlled for security reasons and discriminatory in operation. It is, he said, for each country to judge its own security interests. The U.K. system, he said, was covered by GATT Article XIX b. He considered that the U.S. reply should dispose of the Czechoslovak complaint.

M. André Philip, France, said the main question was, had there been damage to the trade of Czechoslovakia? He could not find — in the documents submitted — any such evidence.

The debate on this item will be continued next Tuesday.