GENERAL AGREEMENT ON TARIFFS AND TRADE
Third Session of the Contracting Parties

SECOND ROUND-UP OF ANNECY TRADE MEETINGS

This second Annecy round-up covers briefly the main events and developments of the Third Session of the Contracting Parties to GATT and the tariff negotiations up to 25 June. For the convenience of correspondents, all items noted in the first round-up have been repeated.

Third Session of the Contracting Parties to GATT

The Third Session of the Contracting Parties has been meeting for eleven weeks. 27 plenary meetings of the Contracting Parties have been held, 96 meetings of working parties have been held, while the committee and working party supervising the tariff negotiations have met 20 times.

By the end of June the agenda of the Contracting Parties will have been substantially disposed of. The Contracting Parties will however remain in session until the tariff negotiations have been completed, in order that the arrangements for incorporating the results of the Annecy negotiations in the GATT and for the accession in due course of the acceding governments may be concluded.

Agenda items completed

The following agenda items, listed in the order of the agenda, have been completed:

The Import Restrictions imposed by the Union of South Africa

Consultations were held between the Contracting Parties and South Africa concerning the import restrictions introduced by South Africa in November 1948, in order to examine their effects on the trade of the other Contracting Parties and to see whether they conformed to the provisions of GATT. Consultations have also been held to review the effects of a new scheme of import restrictions which South Africa intends to introduce on 1 July 1949. The views of the Contracting Parties have been sent to the Government of South Africa for their consideration. Representatives of the International Monetary Fund have taken part in these consultations in accordance with the terms of the GATT.
The Interim Agreement for a Customs Union between South Africa and Southern Rhodesia.

The Contracting Parties on 18 May adopted a declaration to the effect that South Africa and Southern Rhodesia were entitled to claim the benefits of GATT article XXIV regarding the restoration of the Customs Unions between the two countries. Under the declaration the Contracting Parties requested the two governments to instruct their Customs Union Council to include in each annual report a definite plan and schedule of the steps to be taken during the ensuing 12 months towards the re-establishment of the customs union.

The Report of the Committee on Special Exchange Agreements

The Contracting Parties on 18 June approved the report of the Committee on Special Exchange Agreements. The Committee was appointed by the Contracting Parties in August 1948 to prepare, in consultation with the International Monetary Fund, a draft of a special exchange agreement to be concluded by the Contracting Parties with any contracting party not a member of the International Monetary Fund. The Agreement is designed to ensure that the objectives of GATT will not be frustrated as a result of action in exchange matters.

Request by the Government of Pakistan for a Decision under Article XXIII concerning Rebate of Excise Duties on certain products exported from India.

This request by Pakistan was withdrawn on 31 May, having been settled as part of the Inter-Dominion Agreement recently concluded, in which a solution satisfactory to both sides had been reached.

At the second session of the Contracting Parties, Pakistan had asked for an interpretation of the most-favoured-nation clause of GATT, in reference to India which was not allowing rebate of excise duty on exports of goods to Pakistan, while allowing rebate on similar exports to other countries. At that time the Chairman ruled in favour of Pakistan and India reserved its position.

In accordance with the principles of GATT, both governments worked continuously between the sessions to resolve their differences, with the result that the complaint was withdrawn and a decision acceptable to both sides was reached.

Most-favoured-nation Treatment for Occupied Areas

This item, originally proposed by the United States, was withdrawn at the request of the United States on 16 June owing - it was explained - to technical difficulties resulting from pressure to finish important agenda items as soon as possible.
Request by the Government of Czechoslovakia for a decision under Article XXIII 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.

After hearing statements by the representatives of Czechoslovakia and the United States, the Contracting Parties on 8 June decided that Czechoslovakia had failed to establish its charge that the United States had failed to carry out its obligations under GATT through its administration of the issue of export licenses.

Request by the Government of Australia for the replacement of Schedule I by a revised schedule adjusted to a new value-for-duty basis.

These changes in the GATT schedules were proposed so as to conform to the revised Australian valuations for duty which were changed subsequent to the Geneva negotiations. They have been approved in principle, the actual form being referred to the Working Party on Rectifications.

The Position of Palestine in relation to the GATT

The Contracting Parties, on 9 May, issued a declaration stating that the United Kingdom is no longer a contracting party with regard to the customs territory formerly included in the mandated territory of Palestine. Concessions made in respect of Palestine products, now incorporated in the GATT, could be withdrawn; and, as a corollary, Israel would not be bound to give concessions on products entering Israel.

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Agenda items under discussion

The following agenda items, listed in order of the agenda, are still under discussion.

Incorporation of the Results of the Tariff Negotiations in the GATT

These are the problems arising from the accession to GATT by the so-called acceding countries. These are the eleven countries which are negotiating tariff concessions with the original twenty-three contracting parties and among themselves.
The general feeling has already been expressed that both the 1947 Geneva tariff concessions and the tariff concessions negotiated at Annecy should become open for review at the same time: that is, early in 1951. It has been emphasized that this would not imply any likelihood of wholesale revision or re-negotiation of the tariff concessions in 1951.

Under GATT Article XXXIII two-thirds of the Contracting Parties will be required - at the time when the Annecy negotiations have been completed - to take a decision to admit each acceding country to the Contracting Parties. Discussions concerning the Protocol of Accession are practically concluded. It is expected that each acceding country will have up to 30 April 1950 to accept GATT provisionally.

The examination of statements submitted in support of measures notified under Article XVIII

The Contracting Parties are still examining various types of import restrictions designed for the sole purpose of promoting economic development, in force before September 1947. These, under the terms of GATT, must be notified to the Contracting Parties, so as to decide whether or not they can be maintained. The details of the actual cases are secret. Measures have been notified by eleven Contracting Parties, and about half of the cases are expected to be completed by the end of June.

The working party dealing with applications under Article XVIII is also examining a request by Ceylon regarding certain trade restrictions incorporated in the Industrial Products Bill, recently passed by the Ceylon Parliament, but not yet put into force.

Adoption of Emergency Measures to resolve the Crisis of the Cuban Textile Industry

A working party is examining a request by Cuba concerning the severe crisis in the Cuban textile industry and their stated need to adopt emergency measures to protect it.

Examination, in the light of Article III, of the circumstances in which Brazil has imposed certain internal taxes on certain products of foreign origin.

This originated in a complaint by France as to the effect of Brazilian taxes on certain French exports, which were included in the 1947 Geneva negotiations. The complaint concerns discriminatory taxes on certain articles such as armagnac, cognac, brandy and products of the watch-making industry. Brazil maintained that the rise in taxation was not aimed against imported products but was an increase of tax on domestic consumption. Other items, such as beer and cigarettes, have been introduced into the discussions.
Request by the Director General of UNESCO for assistance and advice on the problem of reducing trade barriers on educational, scientific and cultural materials.

This is now being examined in a working party.

Consultations under Article XII

This item arises from section 4a of Article XII which states that any contracting party which is considering the need to use import restrictions to safeguard its balance of payments shall consult with the Contracting Parties as a whole. These consultations would concern the nature of its balance-of-payments difficulties, alternative corrective measures which may be available, and the possible effect of such measures on the economies of other contracting parties.

One of the important aspects of the problem which has been discussed is the procedure to be followed when the Contracting Parties are not in session. It is expected that machinery will be created for an ad hoc committee to be convened by the Chairman of the Contracting Parties, when the Contracting Parties are not in session. It is expected, also, that the International Monetary Fund will be closely associated with the between-session proceedings.

Status of the Agreement and Protocols

There were, at the beginning of the current session, five protocols to GATT which had not been accepted by all the Contracting Parties. In practically all cases, the signatures which were lacking have now been received.

Report on Negotiations affecting the existing Schedules to the Agreement.

Several "releases" from GATT obligations were agreed at the second session of the Contracting Parties on the understanding that there would be trade negotiations between the Contracting Parties concerned. These have been largely completed, with the exception of Ceylon, which was to negotiate with several contracting parties, and Cuba, which was to negotiate with the United States.

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Agenda items not yet discussed

The only scheduled agenda item not yet discussed at this session is Consideration for Arrangements for a Third Set of Tariff Negotiations. This will be delayed until the outcome of the current negotiations is known.
Additional items may, however, still be introduced into the current session under the heading of Other Business.

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Progress of the Tariff Negotiations

As at 21 June, 50 negotiations had been completed, compared with 15 completed at the end of May. It is expected that about 160 negotiations will be completed at Annecy, but fewer than half these negotiations will be completed by the end of June. The following list shows the situation as at 21 June:

<table>
<thead>
<tr>
<th>Negotiations completed</th>
<th>... .. 50</th>
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<tbody>
<tr>
<td>Negotiations in progress</td>
<td>... .. 65</td>
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<tr>
<td>Negotiations under consideration</td>
<td>... .. 48</td>
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