The Contracting Parties today concluded a long and thorough debate by adopting a Decision arising from a request by Cuba for an interpretation of the legal effect on Cuba's margins of preference, in the United States market, of the tariff negotiations carried out at Geneva in 1947, which negotiations were incorporated in the United States schedule annexed to the General Agreement on Tariffs and Trade.

At the opening of the debate which has occupied several meetings of the Contracting Parties, the Delegate of Cuba, Mr. Vargas Gomez, said he regretted having to present this case as Cuba had always enjoyed close and friendly relations with the United States, but he had been unable to convince the United States of the justice of Cuba's contention.

Mr. Vargas presented a paper in which he stated that in their Annecy negotiations the United States had granted certain tariff advantages to Haiti the effect of which would be to reduce or completely eliminate the preferences on these items enjoyed by Cuba - items which had resulted from the 1947 bilateral negotiations between Cuba and the United States and were incorporated into Part II of Schedule XX of the General Agreement of Tariffs and Trade. The Cuban Government contended that none of the preferences enjoyed by any of their products could be reduced or eliminated without previous negotiation and by mutual agreement between the Governments of Cuba and the United States. The Cuban Government based its contention on the provisions of Article XXVIII, which, according to the views of the Cuban Delegation, guarantees the stability of the schedules of concessions against amendment before January 1, 1951, except in limited and exceptional circumstances and on Article XXX, which requires unanimous consent of all the contracting parties for the amendment of Part I of the GATT, of which these schedules are an integral part.

John Evans, United States, said that what the Contracting Parties had been asked to decide was this: Did the GATT preclude a Contracting Party from reducing a most-favoured-nation duty in such a way as to reduce a margin of preference enjoyed by another Contracting Party. He believed that the answer was in the negative, for two reasons. First, he said the Schedules of the GATT are ceiling rates which are bound against increase but not against decrease. Secondly, the whole, stated purpose of the GATT is to reduce trade discriminations among which are preferences. It was clear, said Mr. Evans, from much documentary evidence, going back through the drafting of the Havana Charter to Article 7 of the Lend-Lease Agreement, that the intention to reduce preferences was plainly established as a fundamental principle of the GATT. The GATT, he said, was concerned with binding margins of preference against increase but not against decrease.
After various representatives of the Contracting Parties had expressed their views, the Chairman, Dana Wilgress, said there was a clear-cut issue.

During the course of several days many representatives of the Contracting Parties made proposals intended to reconcile the views of the United States and Cuban representatives. At yesterday's meeting, however, the Chairman said that the efforts towards conciliation were not reaching their objective and there seemed a danger that the matter would drag on indefinitely. He therefore directed the Contracting Parties to consider the text of a decision on the legal issues which had been proposed earlier by the Norwegian representative. The text of this decision is as follows:

The CONTRACTING PARTIES decide:

1) The determination of rights and obligations between governments arising under a bilateral agreement is not a matter within the competence of the CONTRACTING PARTIES;*

2) The reduction of the rate of duty on a product, provided for in a schedule to the General Agreement, below the rate set forth therein, does not require unanimous consent of the CONTRACTING PARTIES in accordance with the provisions of Article XXX;

3) A margin of preference, on an item included in either or both parts of a schedule, is not bound against decrease by the provisions of the General Agreement.

This decision does not preclude the possibility of resort to Article XXIII.

This decision was adopted by 14 votes to 1, with several abstentions.

The delegate of Cuba, Mr. Vargas, then made a statement that "once the Contracting Parties had taken a decision against the legal thesis that has been maintained by Cuba with reference to the guarantee and stability of preferential systems within the framework of GATT, the delegation of Cuba considers that it must withdraw from this session of the Contracting Parties for the purpose of informing its Government." It was, he added, for the Government of Cuba and not for his delegation to decide what should be its attitude and policy in the future. The damage done, he said could not be evaluated merely by taking into consideration the loss of certain given preferentials because it (the Decision) totally impaired the preferential system itself since it left the maintenance of Cuba's preferences to the decision of other

* This Decision by its terms clearly refers only to the determination of the rights and obligations as between the parties to the bilateral agreement and arising from that agreement. It is, however, within the competence of the CONTRACTING PARTIES to determine whether action under such a bilateral agreement would or would not conflict with the provisions of the General Agreement.
Contracting Parties and not to Cuba.

Mr. Vargas also indicated that this was not the only problem that Cuba had encountered at this Third Session of the Contracting Parties, but that it had also failed to find relief for the grave situation with which the Cuban textile industry is faced. In addition, the Cuban and United States delegations had been unable so far to reach final agreement in the case of certain items in the Cuban schedule which had been recommended for renegotiation by the Contracting Parties last September.

Mr. Vargas then thanked the Chairman and members of the Contracting Parties for many kind personal attentions shown to the Cuban delegation in this session and the Cuban delegation left the meeting.

Mr. Woodbury Willoughby, Head of the United States delegation, said he greatly regretted the decision of Cuba to withdraw from this session. The United States was nevertheless willing and desirous, he said, of conducting bilateral discussions with Cuba with a view to reaching agreement on their mutual problems. He felt that the Cuban delegation had presented their case with dignity and in accord with the traditions of the Contracting Parties.

The Chairman said he was sure that all Contracting Parties would regret that the Cuban delegation had decided to withdraw. He was sure that the only object of the Contracting Parties in accepting the decision was to ensure giving precision to the legal issues involved. Had the Cuban delegation remained, the next stage would have been to consider a proposal that both Cuba and the United States should enter into discussions under paragraph 1 of GATT Article XXIII.

The Contracting Parties then unanimously invited both countries to enter into bilateral discussions with a view to reaching a satisfactory solution.