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

SALIENT FEATURES OF THE THIRD SESSION OF THE CONTRACTING PARTIES TO G.A.T.T., Annecy

Note: This release is intended to provide background material for Geneva correspondents wishing to write round-up stories. It does not provide a complete, balanced story; this is being prepared for release next week.

See also: Extracts from Chairman's closing speech.

1. The Third Session of the Contracting Parties to GATT opened at Annecy on 8 April 1949 and ended on 13 August, 1949. It was attended by representatives of the 23 Contracting Parties to GATT, under Chairman, High Commissioner Dana Wilgess, Canada. Nearly fifty plenary sessions were held and over 150 meetings of working parties.

2. It is important to make it clear that two separate, though interrelated meetings have been held at Annecy. First, the third session of the Contracting Parties, from 8 April to 13 August; secondly, tariff negotiations between the 23 contracting parties and 11 acceding countries. These negotiations are largely completed, but outstanding negotiations are being continued at Annecy, with a view to completion by the end of August.

3. The town of Annecy was chosen, with the cooperation of the mayor and civic authorities, because there was not enough office space at the Palais des Nations or elsewhere in Geneva. At its height, the conference comprised one thousand delegates and their staffs. Both meetings were serviced by the permanent staff of ICITO, which comprises some six executive personnel, under Executive Secretary, Eric Wyndham White and his deputy, Jean Royer.

4. One factor, in particular, has contributed to the length of the session: that, while the first two sessions of the Contracting Parties were largely occupied with adapting the GATT to the (later) terms of the Havana Charter, the Third, Annecy, Session has been dealing with, and settling, a number of highly complicated trade problems. This development was scarcely envisaged when GATT was worked out as a stop-gap measure pending the creation of ITO (which has been before governments now for 18 months) receding, the practical tasks put before the Contracting Parties have multiplied.
But with the prospects of ITO (Which has been before governments now for 18 months) receding, the practical tasks put before the Contracting Parties have multiplied.

5. Two items, in particular, have taken up a great deal of time at Annecy; and both are significant:

(a) **The South African case**: Annecy has seen the first consultations with a contracting party which has imposed import restrictions to safeguard its external financial position. Certain exchange restrictions, limiting the amounts of non-sterling currencies available for imports into South Africa, had been approved by the International Monetary Fund. But, on the import prohibitions on non-essentials, although they were not discriminatory, the South African Government was required by the provisions of Article XII to consult with the Contracting Parties. These consultations are required to take place either before the restrictions are introduced or, if that is not practicable, immediately thereafter; they are intended to provide an opportunity to examine the nature of the balance-of-payments difficulties, the alternative corrective measures which may be available and also the possible effect of the restrictions upon the economies of other contracting parties.

The consultation covered the first restrictions of November 1948 and their extension in the following March, and it was then prolonged in the form of a "prior consultation" on the new scheme of restrictions to be introduced by South Africa in July 1949. The South African representatives participated in frank discussions covering a wide range: the balance-of-payments position, the implications of the new scheme for the trade of both hard and soft currency countries, the maintenance of traditional markets, the flow of capital to South Africa for the development of natural resources and the availability of new gold for the settlement of payments of the sterling and West European countries with the Western Hemisphere.

In view of the further serious decline in South Africa's monetary reserves since the restrictions were first introduced and the failure of the system of exchange quotas to correct the disequilibrium in the balance of payments, the Contracting Parties agreed that an intensification of the restrictions, particularly against imports from the sterling area, was justified under the provisions of the Agreement.

(b) **Economic Development Restrictions under Article XVIII of GATT**: The wide scope of action taken at the Annecy Session, and the amount of detailed investigation, is described in Press Release 62.
Both the above tasks took a great deal of time, not least because new ground in international trade relations was being broken and precedents were being created. In future Sessions, through advance preparation by the Secretariat and, if necessary, special sessions between the main sessions, it should be possible to reduce the time needed for the Contracting Parties to deal with this type of problem.

6. **Other Important Items Settled**

(a) The Interim Agreement for a Customs Union between South Africa and Southern Rhodesia was approved, on certain terms.

(b) 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, was worked out.

(c) A settlement of differences between India and Pakistan, regarding Rebate of Excise Duties, was announced, in accordance with GATT precepts.

(d) A decision that, arising from a complaint by Czechoslovakia, the United States had not failed to carry out its GATT obligations in the issue of export licenses.

(e) The new position of the former mandated territory of Palestine and of the former Crown Colony of Newfoundland vis-à-vis the Geneva 1947 tariff schedules was settled.

(f) A complicated question arising from Brazilian import taxes was settled, when Brazil agreed to amend the relevant laws to ensure they conformed with GATT obligations.

7. Only very few items were left over for future work. Among these were the application of Cuba to increase its tariff to protect its textile industry (this implies the increasing of rates of Cuban import duties which were agreed between Cuba and the U.S.A. in the 1947 Geneva negotiations).

8. **Commodity Agreements.** The Contracting Parties agreed to review again at their next meeting the suggestion that means should be explored for bringing into operation the section of the Havana Charter dealing with intergovernmental commodity agreements.

9. **The Protocols.** Five Protocols have been opened for signature at Annecy today. All of these protocols may be regarded as somewhat technical:

- Protocol modifying Article XXVI: this introduces the Havana Charter version of the GATT provisions as applied to separate customs territories.

- Protocol to take account of the amended Customs Laws of Australia.

- Protocol embodying the renegotiations of Ceylon with 9 contracting parties.
- Protocol of Rectifications of the tariff schedules
- Protocol of Modifications, which comprises renegotiations by Brazil and Pakistan.

Note: the Protocol of Accession which deals with the acceding governments to GATT is entirely separate from the above series and will not be open for signature until 10 September.

10. Future Plans

The 4th Session of the Contracting Parties is due to meet at Geneva on 23 February 1950.

Among the new duties for the ICITO Secretariat, on behalf of the Contracting Parties, is to prepare a report on trade restrictions being imposed by contracting parties, for the safeguarding of their balance of payments. This important and significant task is to be completed by 1 March 1950, in accordance with GATT Article XIV (1) (g).

11. Five points about the Success of GATT

(a) It has provided the only bedrock on which to build towards removing trade barriers, pending the creation of ITO.

(b) It has restrained countries from taking completely free-handed, one sided action to suit their convenience without measuring its effect on the trade on other countries.

(c) It has brought together, in a persistent atmosphere of good will and determination to succeed, a very large group of countries, previously related in their trade policies mainly by individual arrangements.

(d) It has provided a court where cases of discrimination and hardship have been argued and settled, with the least possible harm to world trade.

(e) It is the only functioning instrument at the international level which has already achieved substantial success in reducing trade barriers and which contains controls against backsliding.