The Fifth Session of the Contracting Parties to the General Agreement opened at Torquay, England, on November 2. The Session is expected to be completed by Christmas. All the meetings are closed.

The Chairman of the Contracting Parties is Mr. L. Dana Wilgress, Canada; the Vice-Chairman is M. Max Suetens, Belgium.

There are 32 countries which comprise the Contracting Parties to the General Agreement. In addition there are 13 countries which have the right to participate as observers if they wish. The United Nations, the International Monetary Fund and the Organization for European Economic Co-operation are also represented.

In the analysis of the main items of the agenda which follows, an attempt has been made to comment on each item separately although certain items may appear to overlap as to their scope. This has been done in order to be able to relate such press communiqués as are authorized during the Session to specific agenda items rather than to generalized topics.

On certain of the items of the agenda no detailed information has yet been distributed to the Contracting Parties. It is hoped at a later date during the Session to issue brief background comments on these items.

A full list of the governments and organizations who may participate in this Session is given at the end of this Guidance.
1. APPROVAL OF AGENDA

2. & 3. TARIFF NEGOTIATIONS

At the current Session the Contracting Parties will prepare suitable documents which may be signed by the representatives of the governments, for giving legal effect to the new tariff rates negotiated at Torquay and providing for the accession of the countries which are negotiating for the first time. Briefly, it is proposed that the following documents should be prepared:

a) a "Final Act" embodying the results of the Torquay negotiations. This is a normal procedure which authenticates the texts of the instruments, listed below.

b) The Torquay Protocol embodying the results of the negotiations and the terms of accession to the General Agreement. The arrangements for bringing the acceding governments within the obligations of the General Agreement are unavoidably somewhat complicated. Not only are there certain procedures laid down in the Agreement itself, but there are also the varying legislative procedures in the different countries. A further note on this will be made available towards the end of the actual negotiations.

c) Protocol Modifying Article XXVIII of the General Agreement. The purpose of this is to prolong the application of the Geneva and Annecy Schedules of tariff rates until January 1, 1954. The reductions and bindings of rates of duty negotiated at Geneva in 1947 had an assured life of only three years. The Annecy concessions remain co-terminous with the Geneva concessions. Beyond January 1, 1951, they would remain in force indefinitely, but proposals for the withdrawal of specific concessions could be made. Some proposals of this type are now being considered in the course of the tariff negotiations. It was however agreed at the Fourth Session that all renegotiations which countries felt obliged to undertake should be held at the end of 1950 and that the assured life of the resulting schedules should be extended for another three years. This is the purpose of the Protocol modifying Article XXVIII. It is also proposed that each contracting party will sign a Declaration to this effect, to cover the period until the Protocol has been accepted by governments and therefore entered into effect.

This Protocol may be embodied in the Torquay Protocol.
The signature of this Protocol and Declaration will not, of course, affect the right of any contracting party under the Protocol of Provisional Application to withdraw from the Agreement altogether at 60 days’ notice.

For administrative convenience it is also proposed that each contracting party should prepare a "consolidated Schedule" comprising all its commitments under the General Agreement, so that there would be available by mid-1951 in one volume, or a series of volumes, all commitments in respect of customs duties under the Agreement.

RECTIFICATION OF SCHEDULES CONSEQUENT UPON ADHERENCE TO THE BRUSSELS CONVENTION FOR TARIFF NOMENCLATURE.

One of the many complexities in the sphere of tariffs and tariff negotiations is the fact that the descriptions of products entering into international trade have not been standardized. Progress is however being made in this direction: and the work of the European Customs Union Study Group, in Brussels, has resulted in the drawing up of a tariff nomenclature known as the 1950 Brussels Nomenclature.

At its last session the Study Group recommended that governments should adopt this nomenclature with a view to embodying it in an international Convention which would ensure its common application for the classification of products in national tariffs. If contracting parties eventually adhere to the proposed Brussels Convention, minor adjustments to the Schedules of the General Agreement may be required.

CUBA: Report on renegotiations with the United States.

At the Second Session Cuba and the United States agreed to undertake the renegotiations of certain items and to refer back the results. The renegotiations were successfully concluded and the approval of the Contracting Parties is now required for the resulting changes in the Cuban Schedule.
6. **STATUS OF PROTOCOLS**

The Protocols are additions to, or revisions of, the text of the General Agreement. These additions or revisions have been formulated at the previous sessions of the Contracting Parties. Although most of the Protocols have entered into force, through receiving the required number of signatures, and are thus binding on the countries which have accepted them, there are certain contracting parties which have not yet accepted certain protocols. The purpose of this item on the agenda is therefore to examine the current status of the protocols, in particular of those which lack the acceptances needed to bring them into force.

7. **REVIEW OF IMPORT RESTRICTIONS AND SECOND REPORT ON DISCRIMINATORY APPLICATION OF RESTRICTIONS.**

Article XI of the Agreement contains a general ban on the use of prohibitions or restrictions on imports or exports. However, certain exceptions are provided to permit the use of restrictions in defined circumstances, of which the most important is the need to safeguard a country's external financial position and balance of payments. This exception is contained in Article XII. Paragraph 4(b) of Article XII requires the Contracting Parties to review all such restrictions in force early in 1951. In order to obtain all relevant information concerning the methods and application of the import restrictions, a questionnaire is to be prepared at this Fifth Session, to be addressed to contracting parties at the end of the year, so that when the Sixth Session is held in 1951, the Contracting Parties can proceed with their review of the restrictions in force under this Article.

The Agreement also contains a provision that where quantitative restrictions are imposed they shall in general be applied without discrimination as between the contracting parties. Special arrangements are, however, provided in Article XIV for the discriminatory application of balance of payments restrictions during the post-war transitional period. Under Paragraph 1 (g) of Article XIV the Contracting Parties are required to report annually on action taken under these special arrangements. A first report was issued following the Fourth Session last March. In order to obtain the required material on action taken by contracting parties for the next (1951) report, questions on the discriminatory application of restrictions will be included in the questionnaire to be drawn up at the Fifth Session.

8. **CONSULTATIONS ON RECENT CHANGES IN IMPORT PROGRAMMES**

One of the most important tasks facing the Contracting Parties is the administration of the Agreement in relation to individual contracting parties which find it necessary to maintain import restrictions for balance of payments reasons. Any substantial intensification of import restrictions after a country becomes a contracting party is required by the Agreement to be the subject of a consultation with the Contracting Parties.

These consultations are authorized under Article XII of the Agreement. Paragraph 4 (b) of Article XII states that the Contracting Parties as a whole shall invite any contracting party substantially intensifying its import restrictions to consult with them within thirty days. Such consultations are intended to afford an opportunity for a full, free and confidential exchange of views between the countries concerned and the other contracting parties.
At the Fourth Session, the following countries were invited to consult with the Contracting Parties regarding recent changes in their import programmes: Australia, Ceylon, Chile, India, New Zealand, Pakistan, Southern Rhodesia and the United Kingdom. It was decided that these consultations would take place at the Fifth Session.

In connection with this and several other items on the agenda the collaboration between the Contracting Parties and the International Monetary Fund should be noted. In general terms, on all matters affecting monetary reserves, balance of payments and foreign exchange arrangements, the Contracting Parties consult with the Fund. The Fund has been represented at each session of the Contracting Parties.

9. SPECIAL EXCHANGE AGREEMENTS

The general purpose of the GATT is to reduce tariffs and ultimately to eliminate other barriers to trade. This process can however be negatived by a country which resorts to currency practices of various kinds. It is therefore essential that the contracting parties should each adhere to certain generally accepted principles of international monetary policy. But the countries which comprise the Contracting Parties are not necessarily all members of the International Monetary Fund. Accordingly, the Agreement provides that any contracting party which is not a member of the Fund shall enter into a "special exchange agreement" with the Contracting Parties. The text of the Special Exchange Agreement was worked out at the Third Session.

At the Fifth Session the position of individual contracting parties which are not members of the Fund will be reviewed.

10. CONSIDERATION OF QUANTITATIVE EXPORT RESTRICTIONS

At their Fourth Session the Contracting Parties, while concentrating mostly on quantitative import restrictions also made a preliminary examination of quantitative export restrictions which are being applied for protective, promotional or other commercial purposes. The view was then expressed that it might be desirable to obtain in future more systematic and comprehensive information about export Q.R.S. The question whether this suggestion should be pursued at an early date and, if so, the ways and means by which this could be done will be discussed at this Session.
11. Examination, under the procedures provided in Article XXIII, of actual cases of quantitative restrictions applied for protective purposes.

12. French export restrictions on hides and skins.

13. Suggestions for standard practices to minimize commercial uncertainty and hardship under the administration of import licences and exchange control.

It is one of the prime objectives of the GATT and of the International Monetary Fund that quantitative restrictions and exchange controls should eventually be eliminated, and exception is made only for emergency periods and specially justified conditions. Unfortunately, however, conditions have not yet allowed many countries to give up these methods of direct control of their import trade. For so long as they are maintained, therefore, it seems important to reduce undue uncertainties and hardships to merchants resulting from the varying and unpredictable operation of such trade controls.

The United States delegation has suggested that such uncertainties and hardships can be minimized by the general adoption of the best practices of those governments which have given most attention to their method of operating these trade controls. The U.S. delegation has therefore put forward as a basis for discussion a series of standards, which, it suggests, could be adopted and agreed to by the Contracting Parties.

14. Artic le XVIII - Notification of existing protective measures by Denmark, Haiti, Italy.

Article XVIII of the Agreement recognizes the need for special measures "to promote the establishment, development or reconstruction of particular industries or branches of agriculture". This is a long and complicated article, dealing in detail with the kind of restrictions which may be used, the time-limits on their use and various safeguards against their misuse.

The last paragraphs of the Article contain special provision for the maintenance of existing measures. According to these, any contracting party, with the agreement of the other Contracting Parties, may maintain any non-discriminatory protective measure affecting imports in force on September 1, 1947, (as, in the case of the Annecy acceding governments, May 14, 1949) which has been imposed for the above-listed purposes (and which is not authorized in some other section of the GATT). The contracting party must notify the other Contracting Parties of the protective measure, of each product to which it applies, its nature and purpose. In addition the Contracting Parties must be given a "Statement of the considerations in support of the measure and the period for which it is expected to be maintained". Thereafter the Contracting Parties are required, under GATT, to give a decision on each measure as soon as possible and in any case not later than 12 months from the date on which the country applying the measure joins GATT.

At this Session it is expected that the Contracting Parties will deal with notifications from three countries which have only recently become contracting parties: Denmark, Haiti and Italy.
ADMINISTRATIVE ITEMS

The Contracting Parties will consider various items of an administrative character. Among these are the organization budget arrangements for 1951, and the continuation of the monthly Trade News Bulletin.

A suggestion has been put forward by the Canadian delegation that the Contracting Parties should consider establishing some form of machinery for dealing with particular problems inter-sessionally and to do preparatory work to lighten the burden of the Contracting Parties at sessions, in view of the increasingly complicated nature of the questions which come before the Contracting Parties at their sessions.

AUSTRALIAN SUBSIDY ON AMMONIUM SULPHATE

At the Fourth Session the Contracting Parties examined with the delegations of Australia and Chile the situation resulting from the removal of sodium nitrate from the pool of nitrogenous fertilisers which is subsidised by the Australian Government.

While determining that the Australian action was not a violation of the General Agreement, the Contracting Parties took into consideration the fact that both subsidies had been in effect at the time when Australia granted a concession on sodium nitrate in the 1947 tariff negotiations. They recommended that Australia should consider, with due regard to its policy of stabilizing the cost of production of certain crops, means to remove any competitive inequality between sodium nitrate and ammonium sulphate for use as fertilizers which may in practice exist as a result of the removal of sodium nitrate from the operations of the subsidized pool of nitrogenous fertilizers.

At the current session the Contracting Parties will hear reports by the governments of Australia and Chile.

BRAZILIAN INTERNAL TAXES - Report on action by the Government of Brazil since the Fourth Session.

At their Third Session the Contracting Parties dealt with 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 concerned certain Brazilian internal taxes on products such as cognac, aperitifs, watches and clocks, beer and cigarettes. These taxes provided for different levels of taxation with respect to domestic and imported products. They were held by the Contracting Parties to be discriminatory and contrary to Article III of the Agreement provisionally in force. The delegation of Brazil gave assurance that the laws would be amended.

The matter was brought up again at the Fourth Session, since when the government of Brazil has advised the Contracting Parties that a message was sent to the Brazilian Congress requesting action towards amending all existing laws which provide for different levels of taxation with respect to domestic and imported products in order to bring those laws into conformity with Article III of the Agreement, provisionally in force.
Prior to 1935 there had existed between the two countries varying degrees of a customs union dependent upon the different agreements in force from time to time. In 1935 there was a major change in that the principle of a free interchange of products between the two countries was abandoned. In 1945 the two countries decided to restore the principle of free interchange of domestic products, with certain exceptions, and negotiations were commenced in 1946 and culminated in the signature in 1948 of the present Interim Agreement for a Customs Union.

Under Article XXIV of the General Agreement, the Contracting Parties are concerned with two points: whether the Agreement is likely to result in the formation of a full Customs Union and, secondly, whether the interim period is a reasonable one.

At the Third Session the Contracting Parties requested the two Governments to instruct the Southern Africa Customs Union Council, established in terms of Article 2 of the Interim Agreement, to include in each of its annual reports a definite plan and schedule of steps to be taken during the ensuing twelve months towards the re-establishment of a full Customs Union. The Council’s First Annual Report for the period 1st April, 1949 to 31st March, 1950 has now been submitted by the two Governments jointly to the Contracting Parties for their information.

24. THE POSITION OF INDO-CHINA IN RELATION TO THE AGREEMENT

25. INCLUSION IN THE AGREEMENT OF ARTICLES FROM CHAPTER II OF THE HAVANA CHARTER DEALING WITH EMPLOYMENT AND ECONOMIC ACTIVITY

26. AMENDMENT OF THE LAST PARAGRAPH OF PART II OF ARTICLE XX TO CORRESPOND WITH ARTICLE 45 OF THE HAVANA CHARTER

The 1947 Geneva draft of the Havana Charter contained a provision permitting countries to maintain during a post-war transitional period - to end as a general rule at the end of 1950 - certain measures necessitated by post-war conditions, even if these were not fully compatible with the other provisions of the Agreement. At the Havana Conference, it was realised that the post-war conditions which made this provision necessary were likely to continue longer than had originally been expected, and the draft Charter was therefore amended to provide that the measures in question could be maintained until a date to be determined later, instead of until the end of 1950. It has now been proposed that the General Agreement should be similarly amended in this respect to correspond with the final text of the Havana Charter.

29. DATE OF SIXTH SESSION

30. OTHER BUSINESS
List of Governments and Organizations which have the right to participate in the Fifth Session of the Contracting Parties.

32 Contracting Parties to the General Agreement

Australia  Indonesia
Belgium  Italy
Brazil  Lebanon
Burma  Liberia
Canada  Luxemburg
Ceylon  Netherlands
Chile  New Zealand
Cuba  Nicaragua
Czechoslovakia  Norway
Denmark  Pakistan
Dominican Republic  South Africa
France  Southern Rhodesia
Finland  Sweden
Greece  Syria
Haiti  United Kingdom
India  United States

13 Governments as Observers

Austria  El Salvador
German Federal Republic  Guatemala
Korea  Mexico
Peru  Venezuela
Philippines  Switzerland
Turkey  Yugoslavia
Uruguay

3 International Organizations

The United Nations
The International Monetary Fund
The Organization for European Economic Cooperation

Note: The Nationalist Government of the Republic of China has notified its withdrawal from the General Agreement with effect from May 5, 1950; the Central People's Government of China has not yet defined its position with regard to the General Agreement.