EIGHTH SESSION OF THE GATT

The Eighth Session of the CONTRACTING PARTIES to the GATT will open at Geneva at 3 p.m. on Thursday 17 September and is expected to last six weeks. This is the regular annual business meeting of the representatives of the governments which are members of GATT. Other governments and several intergovernmental bodies are expected to send observers.

33 countries are today contracting parties to GATT: Australia, Austria, Belgium, Brazil, Burma, Canada, Ceylon, Chile, Cuba, Czechoslovakia, Denmark, Dominican Republic, Finland, France, German Federal Republic, Greece, Haiti, India, Indonesia, Italy, Luxembourg, Netherlands, New Zealand, Nicaragua, Norway, Pakistan, Peru, Southern Rhodesia, Sweden, Turkey, Union of South Africa, United Kingdom and the United States. Three other governments have undertaken tariff negotiations with a view to acceding to GATT, namely Uruguay, Philippines, and Korea, but have not yet acceded.

The CONTRACTING PARTIES have made it a firm rule not to publish the agenda until it has been approved. What follows, therefore, is a guidance on the main features of the Session, many of which have been discussed in the press in recent weeks.

The Session is being held against the background of the virtual standstill arrangements in the United States on matters of commercial policy. President Eisenhower has set up a 17 man Commission - the Commission on Foreign Economic Policy - to make a very broad survey of United States foreign trade policies and related subjects. The Commission, under the chairmanship of Clarence B. Randall, is expected to start its meetings later this month. It is required to report in March 1954, and it is not likely that the Congress will reach the stage of passing new legislation until the summer of 1954. Meanwhile the current 'status quo' arrangements have been effected by prolonging the Reciprocal Trade Agreements Act until June 1954; and the Secretary of State has said that the United States will not undertake tariff negotiations during this period.

Amongst other developments since the last GATT meeting probably the most significant was the meeting of the British Commonwealth countries in London in November 1952, and the resulting decision of these countries not to seek closer preferential arrangements but to support proposals for a free, multilateral world wide trading system, such as is embodied in the doctrine of the GATT.

At this Session there are three or four matters on the agenda which are likely to be of considerable interest for the press. These are (not in order of importance), (a) the request of the Government of Japan to accede to GATT,
(b) the request of the United Kingdom for a waiver, under Article I, to allow some limited increases in import duties without having to impose corresponding duties on products from the Commonwealth, (c) the extension of the firm life of the GATT tariff concessions and (d) items arising under the 'complaints procedure'.

Japanese Accession: the request of the Japanese Government to accede to GATT dates back to July 1952. The Japanese Government has always stated that it was willing to enter into tariff negotiations and that, although its new, post-war tariff is a moderate one, it was willing to reduce tariffs on a substantial number of items. The CONTRACTING PARTIES have recognized that it is desirable for Japan to take her rightful place in the community of trading nations and her need for increasing participation in world trade in view of her large population and shortages of food and industrial materials. The CONTRACTING PARTIES at the Seventh Session and at intersessional meetings have examined Japan's application in the light of pre-war experience (the sudden flooding of markets and the disruption of trading conditions) with a view to devising safeguards against a recurrence of such circumstances. Disruptions of this kind are specifically covered in the GATT but a formula has been worked out which, if adopted, would allow contracting parties to take retaliatory action without delay should these disruptions occur again.

At this Session Japan's application will be viewed against the fact that it is not possible at present to arrange for tariff negotiations (the United States which is Japan's most important trading partner cannot undertake tariff negotiations during the standstill period, referred to above); therefore the CONTRACTING PARTIES cannot proceed with Japan's application for formal accession. The Japanese Government, however, has put forward a proposal for provisional associate membership under which Japan's commercial relations with contracting parties would be regulated by the GATT during the period before tariff negotiations can be arranged. During this period the general provisions of the GATT would apply to the trade between Japan and other contracting parties. Existing tariff concessions covered by the GATT would be extended to Japan in exchange for a commitment by Japan with regard to its tariff. Under this proposed arrangement, on which public hearings have been held in Washington earlier this month, contracting parties which wish to withhold, bilaterally, the temporary application of the GATT to Japan would be free to do so.

The United Kingdom difficulties arising out of the application of Article I. Before summarizing the substance of this item which has been proposed by the United Kingdom it may be helpful to set out a short background. First, the GATT member countries have bound against increase the tariff duties contained in the GATT schedules; they are free to increase import duties on items which are not contained in the GATT schedules. Secondly, Article I of GATT is the basic provision which requires the exchange of most-favoured-nation treatment by the contracting parties: with regard to import duties any "advantage, favour, privilege or immunity" granted to any country must be accorded, unconditionally,
to all other contracting parties. Article I recognizes existing preferential arrangements in respect of import duties but does not permit the "margin of preference" (i.e. the difference between the full tariff rate of duty and the preferential rate) to be increased.

The United Kingdom is one of the countries which enjoys preferential arrangements with certain other countries, namely the Commonwealth countries. The United Kingdom wishes to raise the protective tariff duties on a very limited range of goods from non-Commonwealth countries - items which are not bound under the GATT. At the same time, the United Kingdom wishes to obtain a waiver from the requirement under GATT to impose corresponding duties on imports of these items from the countries which form part of the Commonwealth preferential area.

The United Kingdom has made it clear that they seek a solution of this problem which is consistent with basic GATT provisions. The purpose is to give increased protection to domestic industry and agriculture, where this is judged necessary, and not to increase the preferential advantage enjoyed by Commonwealth goods over foreign goods in the United Kingdom market. An assurance will also be given to the CONTRACTING PARTIES that the United Kingdom has no intention of embarking on a comprehensive or widespread upward revision of the protective tariff. The matter is viewed as an essentially technical problem of placing the United Kingdom on the same footing as other GATT members, so far as items not bound under the GATT schedules are concerned. Further, the United Kingdom - in submitting this request - has made it clear that it is not their intention to divert trade from non-Commonwealth to Commonwealth suppliers and that, on this point, they are willing to participate in appropriate procedures for consultation and arbitration before taking action on any item.

It is generally understood that, in this application, the United Kingdom is mainly concerned with affording increased protection to certain branches of British agriculture, as and when it is judged in the national interest. At present some degree of protection is given by quota restrictions but, according to press reports, the United Kingdom Government intends to reduce quantitative import restrictions to a minimum and thus to give greater stability of markets both for the domestic producers and the overseas suppliers.

The extension of the firm life of the GATT tariff concessions. The tariff concessions contained in the original schedules annexed to the GATT entered into force in 1948 with an assured life until the end of 1950. After that time a contracting party could modify or withdraw any concession by negotiation and agreement with the government with which it had been negotiated. If no agreement could be reached on compensatory adjustments on other products, the contracting party would be free to modify or withdraw the concession and, in that event, the other contracting party could withdraw equivalent concessions. To avoid the possibility of extensive re-negotiations and the gradual unravelling of the network of concessions (there are some 55,000 items bound under the GATT), action was taken at the Torquay Conference in 1950 to extend
the assured life of the schedules (comprising the concessions negotiated at all three Tariff Conferences) until 31 December 1953.

The United States has already made a (public) proposal, "in view of the fact that a substantial increase of world tariffs could take place after the end of 1953", to extend the firm validity of the GATT tariff schedules for a temporary period, perhaps with a limit of 12 to 18 months.

**Items falling under the complaints procedure.** As in previous sessions there are a number of items arising from complaints of violations of GATT provisions which fall under the Article XXIII - Complaints Procedure. In previous sessions the United States restrictions on dairy products imports received considerable publicity. At the Seventh Session the CONTRACTING PARTIES authorized the Netherlands to reduce, during 1953, from 72,000 tons to 60,000 metric tons the upper limit on imports of wheat flour from the United States, to compensate for the damage suffered by Netherlands exports owing to the United States restrictions. Since the last session, section 104 of the United States Defense Production Act, under which the restrictions were imposed has been replaced by different legislation, namely section 22 of the Agricultural Adjustment Act. But there are still severe quotas on imports of certain dairy products, fats and oils, and in some cases they appear to be more stringent than they were in previous years.

There are other complaints against United States import restrictions and also concerning United States export subsidies, but it would not be fair or accurate to imagine that the United States is the only country which is the subject of complaints. At this session complaints (some new, some of long standing, and some of them satisfactorily settled) will be discussed affecting Belgium, Brazil, France, Germany and Greece, and possibly other countries.

**Consultations on balance of payments restrictions.** GATT contains a general ban on the use of prohibitions or quota restrictions on imports and 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 reserve position and balance of payments. This exception is contained in Article XII.

GATT 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 so-called post-war transitional period.

Under Article XIV:1(g) the CONTRACTING PARTIES are required to report annually on all such measures in force. Three such annual reports have been made and the fourth report will be drawn up at this Session. The CONTRACTING PARTIES are also required to hold consultations each year with those governments
which maintain discriminatory restrictions under certain provisions of the Agreement, which are not directly related to analogous provisions of the Articles of Agreement of the International Monetary Fund. Such consultations have been initiated with seven governments.

Quite apart from the question of discrimination the CONTRACTING PARTIES may, under the terms of Article XII:4(b), invite any government maintaining such restrictions to consult, especially when there is a question of intensification. Consultations of this nature have been instituted with nine governments and these may also take place at the Eighth Session.

Plains for reduction of tariff levels. The reduction of customs tariffs is one of the principal means of attaining the objectives of the GATT. But it has become evident in recent years that the method of reducing tariffs on a basis of strict reciprocity (as carried out at the Geneva, Annecy and Torquay Conferences) would not yield substantial results in the future, largely owing to the difficulties encountered when so-called high tariff countries negotiate with so-called low-tariff countries, which have exhausted their possibilities of reducing their tariffs in the preceding tariff conferences. New methods and new techniques had to be sought.

Two suggestions for alternative methods of tariff reduction were suggested in 1951: (a) the Benelux proposal for the reduction of high tariff rates, so as to reduce the disparity in the customs tariffs of Europe and (b) the French plan for a world-wide reduction of the incidence of tariffs by 30 per cent in three annual stages of 10 per cent each.

A working group of European countries, Canada and the United States have examined the technical aspects of the French plan. Preliminary results were submitted to the Seventh Session, when the French Government submitted a revision of the plan: the revision attempted to reconcile the views expressed in the course of the discussion of the working group. As a result of unofficial talks between a number of countries, the French Government supported by other European Governments, submitted an elaboration of its revised plan. The working group of European countries, Canada and the United States is considering the revised French plan and will report on the technical aspects of that plan. It is expected, that, when the CONTRACTING PARTIES consider that report, they will examine questions of principle raised by the French plan against the background of the broader question of the adequacy of the proposed negotiating procedures and establish an intersessional body to pursue this examination after the Session.

Among the items of a recurring character the CONTRACTING PARTIES will consider reports on the South Africa - Southern Rhodesian Customs Union, the Nicaragua - El Salvador Free Trade Area and from the six countries of the European Coal and Steel Community, following the waiver from GATT obligations
which was granted to them at the Seventh Session. Reports from Italy and Libya concerning their preferential regime will also be considered.

Further work will be done at this Session in tackling administrative barriers to trade, notably an investigation of the possibility of drawing up a standard definition of value for customs purposes and a common definition for determining the value of imported goods. These proposals have been put forward by the International Chamber of Commerce. The status of the Convention to facilitate the importation of samples and advertising material which was opened for signature in February 1953, will also be considered.

Items likely to arise under the heading of administration are the election of a chairman and vice chairman, the budget estimates for 1954, and arrangements for intersessional meetings and for the Ninth Session.