Attached hereto is a draft of a press release which provides background information concerning the main items of the agenda of the Eighth Session for press correspondents.

Delegations are requested to send or telephone their corrections to the Information Office, Villa le Chêne, (extension 3490) not later than 12 noon on Thursday, 17 September, so that a final draft can be prepared for approval at the end of the first meeting of the Contracting Parties on Thursday afternoon.

This draft release remains restricted until it has been finally approved.
Guidance for Press Correspondents
on the Agenda of the Eighth Session of the
Contracting Parties to the General Agreement on Tariffs and Trade

The Eighth Session of the Contracting Parties to the General Agreement on Tariffs and Trade opened at Geneva on 17 September 1953. The Session, which is one of the regular business meetings of the representatives of the governments that are contracting parties to GATT, is expected to continue for some five or six weeks.

The Chairman of the Contracting Parties is Mr. Johan Melander, Director of Commercial Policy, Ministry of Foreign Affairs, Norway.

There are today 33 countries which comprise the Contracting Parties to the General Agreement. The full list of contracting parties together with other governments and intergovernmental agencies represented at this Session by observers is given on the final page of this guidance.

In the comments which follow on the main items of the agenda a rough and ready division has been made, for the convenience of press correspondents, into:

a) items arising out of the operation of the GATT, including items falling under the Complaints Procedures;
b) tariffs and tariff negotiations;
c) administrative barriers to trade;
d) the administration of the GATT, and miscellaneous items.

There is of course no formal division of this kind in the work of the Session. On certain items, where detailed information has not yet been made available, further descriptive comments will be issued later.
Items arising out of the operation of the GATT including items falling under the Complaints Procedure

BALANCE OF PAYMENTS IMPORT RESTRICTIONS: CONSULTATIONS TO BE HELD UNDER ARTICLE XII:4(b) AND ARTICLE XIV:1(g)

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 discriminatory practices 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 by 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 instigated with nine governments and these will also take place at the Eighth Session.

MORE
ACCESSION OF JAPAN

In July 1952 Japan, which is the nation with the largest external trade remaining outside the GATT, requested an opportunity to enter into tariff negotiations with the contracting parties with a view to accession. Japan's application was discussed at the Seventh Session in October 1952 and at Intersessional meetings in February and August 1953.

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 same time, have examined Japan's application to accede in the light of pre-war experience (the sudden flooding of markets and disruption of trading conditions) with a view to devising safeguards against a recurrence of such circumstances. Violent trade disruptions are not specifically covered in the GATT, but a formula has been worked out which, if adopted, would allow contracting parties to take defensive action should these disruptions occur again.

At this Session the application of Japan will be viewed against the fact that it is not possible at present to make arrangements for tariff negotiations and, therefore, that the Contracting Parties cannot proceed with Japan's application for formal accession. The Contracting Parties will have before them a proposal by the Japanese Government for provisional participation in the GATT by which Japan's commercial relations with contracting parties would be regulated by the GATT during the period before tariff negotiations can be arranged. Details of this and of any other proposals which are put forward will be given in due course.

DIFFICULTIES ARISING OUT OF THE APPLICATION OF ARTICLE I, GENERAL MOST-FAVoured-NATION TREATMENT

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 most-favoured-nation 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 and dependent territories. 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 have 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 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 has also been 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 the United Kingdom Government intends to remove and replace quantitative import restrictions and thus to give greater stability of markets both for the domestic producers and the overseas suppliers.
Items Falling under the Complaints Procedures

UNITED STATES IMPORT RESTRICTIONS ON DAIRY PRODUCTS

At the Sixth Session in 1951 the delegates of the Netherlands and Denmark supported by the delegates of Italy, New Zealand, Norway, Australia, France and Canada, complained that the effect of the restrictions on imports introduced by the United States under Section 104 of the United States Defense Production Act constituted within the meaning of Article XXIII a nullification or impairment of concessions granted by the United States and that the restrictions constituted an infringement of Article XI. The restrictions came into effect on 9 August 1951. The Contracting Parties recognized that the complaints were justified, but in view of the serious efforts being made by the Executive Branch of the United States Government to have Section 104 repealed, the Contracting Parties agreed to leave the matter on the agenda. When the United States Defense Production Act was renewed in July 1952 Section 104 was retained with certain amendments which had the result of moderating the severity of the restrictions.

At the Seventh Session the Contracting Parties agreed that by not repealing Section 104 the United States was still infringing the obligations of the GATT and recommended that the United States Government should continue its efforts to secure the repeal of Section 104 as the only satisfactory solution of the problem.

At the Seventh Session the Netherlands proposed, under Article XXIII:2, to restrict its imports of wheat flour from the United States during 1953, to compensate for the damage suffered to Netherlands exports owing to the restriction imposed by Section 104. The Contracting Parties authorized the Netherlands to reduce, for the year 1953, from 72,000 to 60,000 metric tons the upper limit on imports of wheat flour from the United States.

Since the Seventh Session Section 104 of the Defense Production Act has expired. But the United States has reimposed restrictions on imports of dairy products, fats and oils under Section 22 of the Agricultural Adjustment Act, as from 1 July 1953.
BRAZILIAN INTERNAL TAXES

At the Third Session in 1949 the Contracting Parties considered a complaint by France, supported by other contracting parties concerning an increase in the element of discrimination in certain Brazilian internal taxes against certain French, United Kingdom and United States exports, such as cognac, aperitifs, watches and clocks, beer and cigarettes. Subsequently Brazil gave an assurance that a proposal for amending the legislation would be submitted to the Congress.

At the Fifth Session the Contracting Parties, at the request of Brazil, examined a draft law modifying the present legislation on consumption taxes which was being considered for submission to the Brazilian legislature, and it was considered that the draft law would, on the whole, remove the internal tax discrimination introduced since 1947 and bring Brazil's consumption tax legislation into conformity with the Agreement as applied under the Protocol of Provisional Application.

At the Seventh Session Brazil informed the Contracting Parties that a commission had been appointed to revise the Brazilian tariff in order to bring it into closer accord with the Brazilian economy and to place the adherence of Brazil to GATT on a more realistic basis. The question of the internal taxes being parallel to these other questions, the Contracting Parties agreed that the matter be maintained on the agenda for the Eighth Session.

BELGIAN FAMILY ALLOWANCES

A system providing for family allowances to workers is in force in Belgium by virtue of an Act of 4 August 1930. The system is financed by contributions imposed upon the Belgian employers, and in order to countervail these contributions a special tax of 7.5 per cent ad valorem is levied on products imported by the Belgian governmental, provincial and municipal authorities. Exemption from this import tax can be granted in the case of importation from countries where similar contributions are imposed upon the employers either by law or by collective agreements.
At the Sixth Session Denmark and Norway pointed out that, as certain contracting parties had obtained an exemption from the tax (for the reason stated above), they had requested the Government of Belgium to grant them similar treatment, claiming that their social legislation could not be considered less costly or less developed than the legislation in this field in Belgium. Nevertheless the Belgian Government had not yet found it possible to act in favour of the Danish or Norwegian requests for exemption from the special duty.

The Contracting Parties at the Sixth Session considered that the element of discrimination was not in conformity with Article I and — in view of a request by the Delegation of Belgium for time to make the necessary administrative changes — a delay was granted.

At the Seventh Session, Denmark, Norway, Austria and Germany drew attention to the continuing discriminatory nature of the Belgian import charge. The Panel on Complaints examined the legal issues involved and concluded that the Belgian legislation on family allowances was inconsistent with provisions of the GATT and was based on a concept contrary to the spirit of the GATT. The Contracting Parties therefore recommended the Belgian Government to adopt without delay the measures necessary to remove the discrimination.

In advance of this Session additional complaints on this matter have been put forward by Germany and Italy.

**BELGIAN DOLLAR IMPORT RESTRICTIONS**

At the Sixth Session the United States and Canada complained that import restrictions by the Belgium-Luxemburg Economic Union had damaged their trade and that the matter should be dealt with by the Contracting Parties as a departure from obligations under the GATT. It was agreed not to pursue the matter further during the Sixth Session, bearing in mind an assurance from the Belgian Delegation that the B.L.E.U., was not altering the fundamentals of its commercial policy, that Belgium intended to abide by the rules of GATT and that the duration of application of these dollar restrictions would be reduced to the strictest minimum.