INTERNATIONAL TRADE - 1953

A Report by the Secretariat on Trade,
Trade Barriers and the Activities of the CONTRACTING PARTIES

A report along the lines of International Trade - 1952 is being prepared and, prior to publication, copies of the draft will be sent to contracting parties.

The draft of Part III is attached hereto and any contracting party wishing to make suggestions is requested to forward them not later than 23 April.

The draft of Parts I and II will be distributed presently.
PART III

THE ACTIVITIES OF THE CONTRACTING PARTIES
TO THE GENERAL AGREEMENT ON TARIFFS AND TRADE

The General Agreement provides that representatives of the contracting parties shall meet from time to time to give effect to the provisions of the Agreement which involve joint action and to facilitate the operation and further the objectives of the Agreement. Eight such meetings - sessions of the CONTRACTING PARTIES - have been held. The action and decisions taken at these meetings have been described in several reports, namely The Attack on Trade Barriers, Liberating World Trade, GATT in Action, and in Part III of last year's report entitled International Trade, 1952. In the following pages this account is carried forward, with special reference to the results of the Eighth Session of the CONTRACTING PARTIES in September-October 1953, and an indication is given of the subjects likely to come up for discussion at the Ninth Session commencing on 14 October 1954 and at the special meetings to be convened, probably towards the end of 1954, to review the operation of the Agreement since it was made effective more than six years ago.

STABILIZATION AND REDUCTION
OF CUSTOMS TARIFFS

It is sometimes erroneously implied that the General Agreement is in operation for only a fixed term, and that therefore both the Agreement and the Schedules annexed to it would expire at the end of that term unless renewed. In fact, the governments which are parties to the Agreement remain bound by its terms indefinitely unless they take positive steps, in accordance with the protocol under which they are operating, to withdraw its application. Equally, the Schedules to the Agreement enjoy an indefinite life, subject to the procedures described below for their modification. The misunderstanding has arisen because during fixed periods these procedures have not been allowed to operate. The suspension of the procedures has been twice prolonged.

1 The expression "CONTRACTING PARTIES" in capital letters signifies the contracting parties acting collectively.
Article XXVIII of the Agreement contains the procedures whereby, subject to consultation and negotiation with other governments, a contracting party can modify individual items in its Schedule. When the Agreement entered into force in 1948 it was provided that these procedures would operate only after 1 January 1951. As that date approached, the contracting parties agreed that they would prolong the assured life of the Schedules by a further three years. Several contracting parties, however, before agreeing to this extension, wished to renegotiate some of the concessions in their Schedules. These renegotiations took place early in 1951 during the Torquay Tariff Conference. Having made the changes they considered necessary (which in fact were relatively few in number and were compensated by new concessions) the contracting parties amended the date in Article XXVIII so that the assured life of the Schedules would run on until 1 January 1954.

The right of recourse to the procedures of Article XXVIII has been again postponed, until 1 July 1955. Through their signature of the Declaration on the Continued Application of Schedules, thirty-three contracting parties (i.e. all but Brazil) have undertaken that they will not withdraw or modify any of the items in their Schedules through the procedures of Article XXVIII before July 1955. Until then Article XXVIII is applicable only to concessions granted by or to Brazil.

This latest prolongation of the assured life of the Schedules was not accepted without hesitation by all contracting parties. When the first concessions were negotiated at Geneva in 1947, the governments had thought that it was essential to fix a period during which the Schedules would have a firm validity, but after six years some of the governments thought it reasonable that they should have the possibility of renegotiation of individual rates of duty. They considered that continuing rigidity of the Schedules was not desirable and that, thanks to the safeguards in Article XXVIII, there would be no serious risk of any great unravelling of the concessions exchanged by contracting parties. If concessions are withdrawn or modified, compensation must be offered to those with whom they were initially negotiated and to others substantially interested, and if agreement is not reached the other contracting parties can withdraw equivalent concessions. Therefore no contracting party would be likely to embark lightly upon an extensive revision of its Schedule. The majority of the contracting parties, however, considered that in the prevailing circumstances it would be preferable to have an extension of the firm binding so that the stability of tariff rates, which had been one of the principal achievements of the General Agreement, should not be impaired. This was thought to be particularly desirable at a time when no arrangements could be made for a new tariff conference and when a number of contracting parties were studying ways and means of making further progress in the reduction of tariffs and of other barriers to trade. Therefore, the Declaration on the Continued Application of Schedules was prepared, and, as stated earlier, has been accepted by all but one of the contracting parties.
During this respite of eighteen months, the CONTRACTING PARTIES intend to examine a new proposal for the reduction of customs tariffs upon which much thought and labour has been spent in the three years since the last tariff conference at Torquay. The method of tariff reduction now proposed retains the multilateral character of the GATT tariff conferences, but, in place of bilateral negotiations between countries on a product-by-product basis, each government would accept an obligation to reduce the protective incidence of its tariff in accordance with a common standard. Customs tariffs would be divided into about ten sectors and the common standard would require each government to reduce the incidence of the duties in each sector by 30 per cent in three years, or less than that for countries having a comparatively low level of duties; thus the effort required of each country would be proportionate to its present tariff level. In addition, each government would accept the obligation to reduce to certain maximum levels any rates of duty which are in excess of those ceilings. The Governments of Belgium, Denmark, France, the Federal Republic of Germany and the Netherlands have indicated their support of this proposal in principle, but clearly it cannot be brought into operation unless it is accepted by all the main trading countries in Western Europe and North America. The plan will be considered further by the CONTRACTING PARTIES at their Ninth Session in October 1954 against the background of the broader question of the adequacy of the present negotiating procedure.\(^1\)

Of prime importance to the study of this plan for tariff reduction is the extent of the powers given to the Executive branch of the United States Government when the Reciprocal Trade Agreements Act comes up for renewal in June 1954. The Commission on Foreign Economic Policy (the Randall Commission) examined this question and recommended that the President be given "broad powers under the Trade Agreements Act to enter into multilateral negotiations looking towards a reduction of tariff rates on a gradual basis". The Commission recommended that the President be authorized to reduce tariff rates in stages over a period of three years to the following extent:

\begin{enumerate}
\item[p]\textit{a)} pursuant to multilateral trade agreement negotiation, to reduce existing tariff rates by 5 per cent in each year;
\item[p]\textit{b)} with or without receiving reciprocal concessions, to reduce tariffs by one-half of the rates in effect on 1 January 1945 on products which are not being imported or which are being imported in negligible volume; and
\item[p]\textit{c)} to reduce to 50 per cent \textit{ad valorem} or its equivalent any rate in excess of that ceiling.
\end{enumerate}

It will be noted that there is some similarity between these recommendations by the Randall Commission and the methods proposed in the plan under consideration by the CONTRACTING PARTIES.

\(^1\) The plan is described in pamphlet entitled \textit{A New Proposal for the Reduction of Customs Tariffs} which was published on behalf of the CONTRACTING PARTIES in January 1954.
It was reported in International Trade, 1952, that the CONTRACTING PARTIES had granted a waiver of certain GATT obligations to the six member States of the Coal and Steel Community in order to enable them to establish a common market in their metropolitan territories for coal and steel products. The Treaty establishing the Community is to remain in force for fifty years. During the first five years, which are regarded as a transition period, the member States are required to submit annual reports to the CONTRACTING PARTIES on the measures they have taken towards the full application of the Treaty.

The first annual report was submitted in September 1953 and was discussed by the CONTRACTING PARTIES at their Eighth Session in October. The member States recorded in their report that the common market for coal, iron ore and scrap had been opened on 10 February and the common market for steel products, with the exception of special steels, on 1 May 1953. The establishment of the common market was achieved by the abolition of import and export duties and charges, of quantitative restrictions on the circulation of the products, and of restrictions on foreign exchange. In accordance with the terms of the Treaty, certain exceptions to the common market may be maintained for the time being; at present the only exception is Italy's levy of customs duties on coke and steel products imported from other member States.

Following the establishment of the common market, some adjustment of the duties applicable to imports from other countries has been made; for example, the differences in the import duties of France and Germany have been eliminated and this has resulted in the application of some rates lower than those provided for in their legal tariffs. It is the intention of the member States to harmonize their customs duties and trade regulations and, in accordance with the waiver granted by the CONTRACTING PARTIES, this will have to be done on a basis lower than the general incidence of the duties applicable before 10 November 1952. This task, however, must await the conclusion of negotiations on economic and trading relations concerning coal and steel with other countries, particularly, the United Kingdom, Austria and Sweden. These negotiations, which will be concerned with the level of duties and the possibility of binding the rates under the General Agreement, are to be conducted by the High Authority on behalf of the member States and it is expected that substantial results will be achieved by mid-1954.

The discussion at the Eighth Session of the CONTRACTING PARTIES, in which a representative of the High Authority of the Community participated, covered various aspects of the commercial policy of the Community affecting the trade interests of other contracting parties. The reasons for the temporary restriction on the export of scrap were examined. It was explained that this control had been imposed because of the supply situation in the Community and an assurance was given that it would be exercised in such a way as to ensure equitable distribution and without the introduction of any element of discrimination.
The CONTRACTING PARTIES noted that producers within the Community sometimes charged different prices in different export markets and had concluded cartel arrangements on export prices; it was said that there had been some increase in the prices charged in certain markets at a time when the general trend of export prices was downwards. According to the representative of the High Authority, however, differential prices could be fully consistent with free competition and the data submitted had not shown that export prices were inequitable. The existence of exporters' agreements was not denied, but the High Authority gave an assurance that it would enforce the undertaking of the Community and if necessary would intervene to prevent inequitable prices being charged by exporters on outside markets. Thus it is the intention of the High Authority to see that the effects of producers' arrangements are consistent with the obligations of the member States vis-à-vis the CONTRACTING PARTIES and, thus, to safeguard the legitimate interests of other countries.

The CONTRACTING PARTIES felt that the examination of the first report had led to fruitful results. The examination of future reports will provide further opportunities for reviewing the questions of mutual interest to the CONTRACTING PARTIES and the Community, it will contribute to a better understanding of the problems which the Community and the other contracting parties have to face and will facilitate a working out of satisfactory solutions.

PREFERENCE ISSUES

The Waiver Granted to the United Kingdom

The undertaking not to increase margins of tariff preference - one of the most important features of the General Agreement - has presented a dilemma for the United Kingdom Government because of their traditional policy of according free entry to most goods imported from the Commonwealth. As a result, the United Kingdom has not been free to exercise the right which it enjoys under GATT, in common with other contracting parties, to raise unbound rates of duty, for to do so without establishing incidentally new tariff preferences it would have to impose duties also on Commonwealth products. The difficulty of obtaining a modification of tariff legislation to allow the imposition of such duties has meant in practice that the United Kingdom Government have not been able to increase the most-favoured-nation rates of duty even on items which are not bound in the GATT Schedules.

The United Kingdom Government brought this problem to the CONTRACTING PARTIES in 1953 and proposed that they should be given liberty to increase unbound rates of duty while continuing to grant free entry to imports from the Commonwealth, provided this would not result in any substantial additional advantage for Commonwealth goods in the United Kingdom market at the expense of other countries. They stressed they had no intention of embarking on a
comprehensive or widespread upward revision of their protective tariff. In fact, there had been no increases in the tariff for protective purposes since 1939, and some adjustment of rates would facilitate the removal of the quantitative restrictions which were still imposed on many products. The United Kingdom Government explained to the CONTRACTING PARTIES that they proposed to increase the most-favoured-nation rates only on unbound items in which the Commonwealth had little or no interest and that, therefore, the incidental increase in the margin of preference would be only a technical departure from the principle of Article I which could have no practical consequence in diverting trade from foreign to Commonwealth sources. But to safeguard the interests of other countries where there was likelihood of any substantial diversion of trade, they were prepared to agree that the CONTRACTING PARTIES should establish procedures for the examination of the probable effects of proposed increases in most-favoured-nation rates.

In the light of the assurances given by the United Kingdom Government, and subject to the safeguard of procedures for the examination of proposed changes in rates of duty, the CONTRACTING PARTIES granted the waiver. The procedures, which form an integral part of the decision, require the United Kingdom Government to give advance notice of any proposed change in a rate of duty which will have the incidental effect of increasing a margin of preference and to consult with any contracting party which has a substantial interest in the trade concerned and which claims that the increase in the preference margin involves likelihood of substantial diversion of trade to suppliers within the Commonwealth preferential area. In the event of a difference of opinion as to the likelihood of a diversion of trade, the United Kingdom may seek arbitration by the CONTRACTING PARTIES. In granting this waiver the CONTRACTING PARTIES declared that in no circumstances should their decision be construed as impairing the principles of the Agreement which forbid increases in margins of preference.1

The Waiver granted to Australia concerning Imports from Papua-New Guinea

For some years the Government of Australia have given aid in the form of financial and technical assistance to the Territory of Papua-New Guinea which is an administrative union consisting of Papua, an Australian possession, and New Guinea, a trust territory administered by Australia under agreement with the United Nations. The Australian Government have endeavoured to assist the inhabitants who suffered war damage and to improve their health, education and agricultural practices. The inhabitants have been encouraged to develop cash crops and co-operative marketing, while Australia has endeavoured to provide markets for the principal products of the Territory. Since before the General Agreement entered into force, Australian Governments have assisted producers to market their products in Australia by granting tariff preferences and import subsidies. The products which have benefited from such special treatment are principally tree-crops - coconuts and cocoa beans.

1 Action by the United Kingdom under this waiver is reported on page 80.
In recounting this history to the CONTRACTING PARTIES at the Eighth Session the Australian delegation contended that the Territory could not be further developed unless new capital were attracted by sound market prospects for the commodities produced. The Australian Government were prepared to provide the assured markets, if they could be allowed to grant additional import duty preferences, and would not seek reciprocal advantages for Australian exports to the Territory. This proposal naturally caused some concern to countries whose products might have to compete in the Australian market on disadvantageous terms with those of Papua-New Guinea. The Government of Australia assured the CONTRACTING PARTIES that the waiver, if granted, would be used for the development of the Territory in such a manner as not to cause material injury to the competitive trade of any other contracting party and would not be used for the protection of domestic production in Australia. Further, advantages in the Australian market would be granted only to those primary products which showed promise of sound development and the production of which would contribute to social and economic welfare.

On the basis of the assurances offered, the CONTRACTING PARTIES agreed to permit Australia to grant duty-free treatment to primary products of Papua-New Guinea, which are not bound in the Australian GATT Schedule, regardless of the rates of duty applicable to like products of other contracting parties. The use of the waiver was made conditional upon prior notification of any action proposed which would result in increased most-favoured-nation rates of duty and upon prior consultation with any contracting party which might consider that the proposed action threatened substantial injury to its trade with Australia. If no agreement is reached in such a consultation, the question can be referred to the CONTRACTING PARTIES. According to the procedures adopted, the waiver can be used only if it is clearly recognized that the proposed action will not affect adversely the interests of other contracting parties.

THE ASSOCIATION OF JAPAN IN THE WORK OF THE CONTRACTING PARTIES

As a result of discussions at the Eighth Session, Japan now participates in the work of the CONTRACTING PARTIES. Moreover, although the Government of Japan has not acquired the status of a contracting party to the General Agreement, more than twenty of the contracting parties have agreed that their commercial relations with Japan will be based upon the Agreement.

In dealing with Japan's request to accede to the Agreement, the CONTRACTING PARTIES recognized that the Japanese Government was granting most-favoured-nation treatment to all contracting parties, whether or not they accorded the same treatment to Japan, and they felt that Japan should take her rightful place in the community of trading nations. However, the procedures laid down by the CONTRACTING PARTIES for accession did not permit them to give an immediate answer to that request. The act of accession follows only from the completion of satisfactory tariff negotiations with the existing contracting parties, but
there was no possibility of arranging for such negotiations to take place in the near future. In view of these difficulties the Government of Japan proposed that, pending the conclusion of such negotiations, they should be provisionally admitted to participation in the GATT with all the rights and obligations of a contracting party, and that during this interval their commercial relations with contracting parties should be regulated by the provisions of the Agreement. On its part Japan was prepared to bind against increase a substantial part of her tariff.

Japan's proposal was referred to the CONTRACTING PARTIES at their Eighth Session. Most governments thought that, in view of the delays for which Japan was in no way responsible, the proposed arrangement was a fair one, but others thought that in present circumstances it was inopportune and should be deferred until the next Session. The solution adopted was for those governments which were ready to do so to accept a Declaration regulating their commercial relations with Japan on the basis of the General Agreement, and for the CONTRACTING PARTIES to invite Japan to participate in their sessions and subsidiary bodies. Further the CONTRACTING PARTIES agreed to undertake any functions that governments might require them to perform consequent upon their acceptance of the Declaration.

This arrangement will continue in effect until Japan accedes to the Agreement as the result of tariff negotiations or until 30 June 1955. The Japanese Schedule annexed to the Declaration binds against increase about 90 per cent of the items in the Japanese customs tariff. In 1952 imports of the bound items amounted to 85 per cent of total imports into Japan. Thus, so long as the Declaration is in force, Japan enjoys, vis-à-vis the governments which have signed the Declaration, the same rights and has towards them the same obligations as if Japan were actually a contracting party.

QUANTITATIVE RESTRICTIONS

Earlier reports published by the CONTRACTING PARTIES have described the provisions of the Agreement which permit a government to use quantitative restrictions on imports in order to redress an adverse position of its monetary reserves. They have also described the circumstances in which governments are required to consult with the CONTRACTING PARTIES on the introduction or intensification of restrictions and on their discriminatory application. At the Eighth Session such consultations were carried out with eight governments.

In the course of these consultations the marked improvement in the world dollar situation in the course of 1953 was noted. Although this had been achieved largely by the continued use of restrictions against dollar imports and by the heavy volume of United States off-shore purchases and other expenditure abroad, more fundamental causes were also at work. In deficit countries a softening of inflationary pressures had reduced the high demand for imports, and the supply situation had been eased by increased production. Improved productivity had made the products of non-dollar countries more competitive with those from dollar
sources. The CONTRACTING PARTIES considered that these developments should make possible definite advances towards a system of international trade with fewer restrictions and less discrimination. They found that the countries which met with most success in controlling inflation had made the greatest progress in overcoming their external economic problems. It appeared that governments which had relaxed their import restrictions and had applied less discrimination obtained substantial benefits through the reduced cost of imports and increased competitive power.

Such were the general conclusions of the CONTRACTING PARTIES resulting from the exchange of views in the consultations at the Eighth Session. But the provisions of the Agreement also require the CONTRACTING PARTIES to report annually on the practice of discrimination in the application of the restrictions. The fourth annual report on discrimination was approved at the Eighth Session.

In their fourth report the CONTRACTING PARTIES devoted their attention principally to an examination of the changes that had taken place in the discriminatory practices of governments in 1953. They found that twenty-two governments were still exercising some degree of discrimination between sources of supply. The general tendency to intensify the restrictions had been first arrested and then reversed, and definite steps of relaxation had been taken by some countries whose balance-of-payments had improved. Some of the relaxations, for example, by the United Kingdom, Australia and a number of countries in Western Europe, related principally to imports from other soft-currency countries and in these cases the discrimination against dollar goods was actually sharpened, but many countries also enjoyed an improvement in their dollar payments position and thereafter applied the administrative control over imports from the dollar area with less severity. Relatively few governments, however, made any public announcement of a change in dollar import policy. The Netherlands announced a relaxation of restrictions on dollar imports and Germany indicated that dollar goods could be purchased more freely. The freer purchasing by the United Kingdom of imports from dollar countries affected mainly raw materials and foodstuffs, while South Africa announced the abolition of discrimination in import licensing as from the beginning of 1954. On the other hand, the CONTRACTING PARTIES had to record that many countries dependent on the export of primary commodities intensified their restrictions in order to adjust their expenditure to their reduced exchange earnings. In the sterling area, Ceylon and Pakistan, in Latin America, Brazil and Chile and, in Europe, Finland are examples of countries which tightened their controls over imports, and generally the intensification fell more severely upon goods for which payment had to be made in dollars than upon imports from other soft-currency countries. Sweden also exercised a stricter control over dollar imports.

The annual examination of the discriminatory application of restrictions provides an opportunity for a stock-taking of the progress made by contracting parties towards the establishment of a freer multilateral trading system. Among the problems associated with the eventual elimination of the restrictions stands most prominently the question of protection. It is clear that in applying restrictions to safeguard their external financial position, governments
give priority to the importation of goods which are essential but cannot be
domestically produced in adequate quantities, and concentrate their restrictive
measures on goods which they can produce. Thus, inevitably, the restrictions
have incidental protective effects for domestic industry which determine the
investment of capital, the movement of labour and the directions of industrial
growth. The withdrawal of this protection, through the removal of the
restrictions, will give rise to problems with which the CONTRACTING PARTIES may
have to contend in the future.

THE SETTLEMENT OF DIFFERENCES

As explained in last year’s report the provisions for consultations between
contracting parties and for the lodging of complaints of loss of benefits are
among the most important in the GATT. When a contracting party considers that
the action of another has impaired the benefits it derives from the Agreement,
the contracting parties concerned are expected to consult together to reach a
satisfactory adjustment. If no such adjustment is reached, the difference can
be referred to the CONTRACTING PARTIES under the nullification and impairment
provisions of the Agreement. At their Eighth Session the CONTRACTING PARTIES
dealt with a number of complaints - some new and some which had been examined
at earlier sessions.

In 1952 the Government of France imposed a tax of 0.4 per cent ad valorem
on all imports and exports of the metropolitan and overseas territories. This
was a provisional measure intended to provide funds for a scheme of social
insurance for agricultural labourers. The United States, who raised this
question, put to the CONTRACTING PARTIES that in so far as the tax was applied
to items in the French GATT Schedule, it impaired the concessions made by France
in the tariff negotiations. The French delegation stated in reply that their
Government recognized that this tax constituted an infringement of France’s
obligations under the Agreement. Accordingly, the French Government undertook
to abolish the tax as from 1 January 1954. A note will be added on action
taken.

In June 1953 the President of the United States issued a Proclamation placing
a limitation on the importation of shelled filberts during the 1952-53 crop year,
thus putting into effect a recommendation by the United States Tariff Commission.
The filbert industry in the United States had accumulated large inventories and
a record crop was harvested in the autumn of 1952. Turkey, the principal
supplier of shelled filberts to the United States, claimed that this measure
threatened serious prejudice to a traditional export and impaired the concession
on the customs duty on filberts which the United States had granted to Turkey
at Torquay in 1951. When the question came up for discussion before the
CONTRACTING PARTIES, the United States representative was able to report that
the Tariff Commission had kept the situation under review, in accordance with
Section 22 of the Agricultural Adjustment Act under which the quota was imposed,
and had recommended that the measure be withdrawn; the President had approved
this recommendation and the restriction was no longer in force.
Four questions examined at the Eighth Session were described in last year's report: two of these concerned action by Belgium, one by Germany and the other by the United States.

A number of contracting parties - Austria, Canada, Denmark, Finland, Germany, Italy and Norway - have complained that their exports were not treated on a basis of equality with those of other countries when imported into Belgium by the State, the provinces, the municipalities or public corporations. France, the Netherlands, Sweden, Switzerland and the United Kingdom had been granted exemption from a special 7½ per cent levy on the ground that their laws relating to the payment of family allowances were equivalent to those of Belgium. At the Seventh Session the CONTRACTING PARTIES recommended that the Belgian Government should remove the discrimination. At the Eighth Session the Belgian representative reported that it had not yet been possible to do this but the Government had decided to submit a bill to Parliament which would remove the cause of the complaint. The law abolishing the tax entered into force on 6 March 1954.

When the CONTRACTING PARTIES re-opened the question raised by the United States and Canada concerning Belgium's restrictions on dollar imports, they had before them a report by the Belgian Government on the system of restrictions in force and on the relaxations which had taken place during the year. This report claimed that dollar goods were then practically free from restriction and that the fall in imports from dollar sources merely reflected the general decline in the level of importation. It was stated that in practice the remaining restrictions had little effect on the trade of Belgium and Luxemburg, with Canada and the United States, since the volume of imports was limited by economic factors rather than by official action. There appeared to be some uncertainty as to the exact extent and application of the remaining restrictions and it was, therefore, agreed that the governments concerned would hold informal consultations during which the Belgian Government would give explanations on any points requiring clarification.

The case brought by Norway against the customs treatment of Norwegian sardines by the Federal Republic of Germany was also described in last year's report. The two Governments discussed the matter again in September 1953 and reached an agreement whereby the German Government undertook to use its influence with the legislature to reduce the duties on the Norwegian products. The Government of Norway reported to the CONTRACTING PARTIES that they considered the matter so far settled that they would not submit the question for further consideration, but they nevertheless maintained their contention that Norwegian sprats and herrings should enjoy equality of customs treatment with sardines.

A number of European countries together with Canada and New Zealand renewed their complaint against the United States restrictions on imports of dairy products. These were imposed originally under Section 104 of the Defense Production Act and are now maintained under Section 22 of the Agricultural Adjustment Act which provides for the imposition of import restrictions in certain circumstances to support domestic agricultural programmes. Increased production and higher support prices have led to the purchase of large quantities of dairy produce
by the Commodity Credit Corporation and to the imposition of restrictions on imports. In discussing the complaint the United States representative said that his Government were concerned that their price support measures should not aggravate the difficulties of other countries and also recognized that their farm policies should take account of the position of the United States as a creditor nation. Some countries complained that the restrictions greatly disturbed the balance of advantages on which their participation in the Agreement was based and caused serious injury to their economy. In view of this impairment of benefits the CONTRACTING PARTIES recognized that the countries affected had the right of recourse to Article XXIII and they extended the authority they had given to the Netherlands to restrict the importation of United States wheat flour. It was recognized, however, that the only satisfactory solution was for the United States to withdraw the restrictions and, accordingly, the CONTRACTING PARTIES recommended to the Government of the United States that they have regard to the harmful effects of the continued application of these restrictions on international trade relations.

Finally, the CONTRACTING PARTIES considered two complaints affecting Brazil. The first related to the discrimination against imported products in the application of internal consumption taxes which was first examined at the Third Session in 1949 (cf. The Attack on Trade Barriers). The second was brought before the CONTRACTING PARTIES at the Eighth Session when the United Kingdom and the United States reported that the Government of Brazil had failed to make effective concessions promised in certain renegotiations held in 1949. The CONTRACTING PARTIES adopted resolutions urging the Government of Brazil to amend the internal tax laws so as to bring them into conformity with the Agreement and to put the promised concessions into effect without delay.

A REVIEW OF THE AGREEMENT

The end of 1954 or the early months of 1955 will be an important moment in the history of the General Agreement for it is at that time that the CONTRACTING PARTIES will undertake a review of its operation. The Agreement is not merely the recording of the results of the tariff conferences, for the concessions would have little value if they were not accompanied by a series of provisions designed to protect them from being nullified by government action in other fields of commercial policy. It is for this reason that the Agreement contains rules for the use of import and export restrictions, national treatment on internal taxation, customs valuation and formalities, and also provisions on subsidies and state trading, in addition to the rule of most-favoured-nation treatment. These rules are so detailed as to require some special arrangement for their interpretation and application. But both the rules themselves and the arrangements for their administration have been provisional in character because it was intended to create a world trade organization, the charter of which would contain a code of trade rules to replace the special provisions of the GATT. Also, the organization would have provided the mechanism for the
administration of the Agreement. In the event, this proposed world organization has not come into being and the GATT has operated during these last six years on a provisional basis with only a makeshift administrative machinery. This period has afforded, however, a valuable opportunity to test the provisions of the Agreement and to see how far they suffice to meet the actual needs of international trade.

For these reasons the CONTRACTING PARTIES decided at their Eighth Session to review the operation of the Agreement. They noted that, during the years the Agreement had been in force, substantial progress had been made in increasing productivity in agriculture and manufacturing industries, and that international co-operation had contributed greatly to the restoration of more normal trading conditions. Nevertheless, high tariff barriers and the widespread application of other restrictions on trade continued to impede progress towards the achievement of the Agreement's objectives. Moreover, a number of the contracting parties, notably the United States through its re-examination of foreign economic policy, were reviewing their commercial policies and methods of international collaboration in the field of trade. The review will be based upon the experience gained during these six years and is intended to enable the CONTRACTING PARTIES to decide to what extent it is desirable to amend or supplement the existing provisions of the Agreement and what modifications should be made in the arrangements for its administration in order that it may contribute more effectively to early progress towards the attainment of its objectives.

When the review takes place it is probable that one of the main considerations will be the rôle the GATT could play in the final liquidation of the postwar controls on trade and exchange. Since the decision was taken to review the Agreement, the reconsideration of economic policies, mentioned above, has advanced a long way. At the Sydney Conference in January 1954, the Commonwealth Finance Ministers re-affirmed the intention of their Governments to work through existing international organizations dealing with trade and finance. In their opinion, the functions which the General Agreement and the International Monetary Fund perform will become even more important when moves to freer trade and currencies are concerted. In the United States, the Randall Commission has submitted its recommendations on commercial and financial policies which envisage important functions for the General Agreement. And the governments in Western Europe are considering ways and means of speeding up the liberalization of their trade and payments. By the time the review of the Agreement takes place governments should be ready to participate in a careful re-examination of world trade policy.