SUMMARY RECORD OF THE FIFTEENTH MEETING

Held at the Palais des Nations, Geneva
on Saturday, 8 November 1952 at 10:00 a.m.

Chairman: Mr. Johan MELANDER (Norway)

Subjects discussed:
1. Reduction of Tariff Levels:
   a) Report of Working Party 2;
   b) New Proposal by France
2. Nicaragua El Salvador Free-Trade Area
3. Article XXVIII Negotiations between Cuba and the United States
4. United States Duty on Dried Figs

1. Reduction of Tariff Levels:
   (a) Report of Working Party 2 (G/31)

Dr. BOTHA (Union of South Africa) in presenting the report, recalled the history of the Working Party which had been established in April 1951 at Torquay to study a proposal relating to the disparities in European tariffs. The life of the Working Party had been prolonged and its terms of reference extended at the Sixth Session when the French Delegation presented a new proposal for a general lowering of tariffs. The Working Party had then established a sub-group to examine the technical aspects of the French plan. The present report of the Working Party was based on the Sub-Group's report and dealt in particular with the questions of applying the French plan to countries in the process of industrial development, and of securing concessions from non-participating countries in compensation for the tariff reductions contemplated. Dr. Botha then outlined the technical questions dealt with by the Sub-Group as contained in Annex I of the report. He felt that as a result of the arduous deliberations of the Sub-Group the size of the problem had been measured and its true nature revealed; the difficulties in applying the French plan now seemed less formidable than a year ago. It should be noted that so far only the technical aspects of the French plan had been given consideration and it would be for the CONTRACTING PARTIES to decide in what manner the proposal, as elaborated, should be proceeded with hereafter. The Working Party had not dealt with paragraph (c) of its terms of reference regarding a review of the continuing efficacy of the procedures for tariff negotiations. In conclusion Dr. Botha pointed out that the Working Party made no recommendations but awaited instructions regarding its future work.
The report of the Working Party, including the report of the Sub-Group annexed thereto, was adopted.

(b) New Proposal by France (L/58)

M. PHILIP (France) recalled that the plan submitted by France at the Sixth Session had aimed at giving new impetus to the work of the CONTRACTING PARTIES in the field of tariff reduction. The capacity of certain low-tariff countries to grant further concessions having been exhausted after two rounds of negotiations in Geneva and Annecy, the results of the Torquay negotiations had, by general agreement, been much more limited in scope. The existing procedures for tariff negotiations on a product-by-product basis could therefore not be expected to produce substantial results hereafter and might lead to a stalemate. The French plan had been designed to re-orient the efforts of the CONTRACTING PARTIES in this field with a view to advancing the objectives set out in the preamble of the General Agreement. M. Philip then described in detail the French plan as it had been originally conceived, and emphasized that in putting forward that proposal the French Delegation had not intended to impose its views on other contracting parties but merely to explore the possibilities of a new approach to the tariff problem of the world. The French Delegation therefore appreciated the technical work which had been done by the Working Party and its Sub-Group.

The new proposal in L/58 was now presented by the French Delegation on the basis of the considerations and findings of the Working Party and with a view to seeking the reactions of other governments. The CONTRACTING PARTIES were not asked immediately to pronounce on the merits of the proposal; nor were they requested now to engage in a discussion of substance. The French Delegation merely requested that the existing Working Party on Tariff Levels be maintained with extended terms of reference so that it might give consideration to the new proposal.

M. MONSERRAT (Cuba) thought the under-developed countries should appreciate the effort made by the French Delegation to elaborate its earlier proposal with a view to making it less difficult for such countries to participate. Such participation would be facilitated by certain provisions in the proposal. Other provisions, such as division of imports into sectors for the purpose of tariff reduction remained, however, to limit the meagre benefit that the less-industrialized countries might expect from participating in the plan.

Mr. HAGEMANN (Germany) said that although the German Delegation appreciated the arduous task which had been performed by the Sub-Group and the Working Party, it did not believe that a plan ready for submission to governments for adoption had been evolved. It had only clarified the technical aspects of the question of applying the French plan and pointed
to the economic factors to be taken into account. The German Delegation believed that the results constituted an appropriate basis for the elaboration of a draft plan which could be submitted to governments. It appreciated the efforts of the French Delegation to formulate the new proposal taking account of the findings of the Working Party. Because the new proposal had been presented only today the German Delegation had had no opportunity to study its substance; a preliminary examination of it had shown however that certain views of the German Delegation had not been fully met. Even though his delegation had not been able to consult its Government, it might be assumed that the latter would agree to adopting the French proposal as an appropriate basis for further deliberation. He therefore supported the proposal that the document presented by France be referred to the intersessional group and it was hoped that a definite plan would be soon produced.

Mr. Di NOIA (Italy) thanked the French Delegation for the spirit of conciliation and understanding which it had shown in presenting the new proposal aimed at overcoming the difficulties encountered by the Working Party. The original French proposal had been put forward as a basis for discussion because the CONTRACTING PARTIES had generally agreed that after the three rounds of tariff negotiations it was time to replace the bilateral procedure with a new method of tariff reduction. The method of automatic reduction presented was particularly attractive because of its simplicity; it appeared as if it could achieve the objective without prolonged negotiations, but upon closer examination it would be found that the question was in fact more complicated. The rates in national customs tariffs reflected the economic conditions of countries which were different from one country to another and equal treatment might not therefore be altogether just; beyond certain points it might be inapplicable. The resulting sacrifices and gains would be uncertain and unbalanced especially if automatic reductions were based on weighted averages. To overcome these difficulties it had been proposed that special treatment be accorded to countries still in the process of economic development, to exclude from reduction certain essential agricultural or industrial products and in particular to grant the greatest possible liberty of choice of tariff items for this exercise. In this manner the factors which formed the basis for bilateral or multilateral negotiations entered also into the automatic system. On the other hand, the automatic system had the advantage of simplicity and generality since it could be applied to all or most tariff items. In view of the extended negotiations in the past by which contracting parties had perhaps reached the limit of concessions that could be granted on the basis of mutual advantage, the new method was perhaps the only way of making further progress. The difficulties encountered with the French plan should not be discouraging but they should make countries understand that a too ambitious objective was not possible, at least at present, because of the instability of world economic conditions. Reductions in duties might
be less striking but it would be easier to construct a system in which most of the countries here represented could take part.

The Italian Delegation recognized that the flexibility and exceptions provided in document I/58 were a step in this direction and that these new suggestions were therefore an improvement over the original plan. There was, however, one problem connected with the problem of tariff reduction that the Italian Delegation had already referred to in the interim report of the Working Party (IW,2/16). It was there stated by the Italian representative that the application of the French plan should be linked to the elimination of measures impeding international trade in order to make possible the realization of the plan and to ensure a certain and lasting increase in international commerce. The effort to lower customs duties would be useless and perhaps dangerous unless an effort were also made to solve the problem of restrictions on imports and exports. Countries would have nothing to gain and might be forced into restrictive measures themselves if, after granting tariff reductions, they found their exports hampered by prohibitions on imports and discriminatory quota régimes. The two problems of the reduction of tariffs and the abolition of other types of restrictions were thus closely linked. The Italian Delegation was aware of the difficulties of such a connection particularly in relation to Article XII of the Agreement. Nevertheless, they considered it necessary to draw the attention of the CONTRACTING PARTIES to the importance of this problem in considering the French plan or any other similar plan.

Two other questions were of decisive importance in determining the final attitude of the Italian Government, namely the adherence to the plan of countries whose international trade was of vital importance, and compensations to be obtained from countries which could not adhere to the plan. These two latter points were not mentioned in the new French memorandum.

The customs tariff problem was important but was not the only problem of concern to countries. Its solution would not greatly assist in eliminating the international economic apathy since if countries were deprived of part of their customs autonomy, they would be the more encouraged to have recourse to other restrictions even more dangerous since they arose from administrative powers. To accomplish anything useful contracting parties should address themselves to the economic disequilibrium which was the basic cause of all restrictive measures. Of course the individual problems must be examined separately, but it should not be forgotten that each problem was dependent upon the others.

In conclusion, the Italian Delegation supported the submission of the new proposals to the Working Party. His delegation hoped that the principal difficulties could be surmounted and, particularly, that it would be possible to assure the adherence of a sufficient number of countries, both the most important economically and those economically under-developed, so that the plan could preserve its universal character.
Mr. SEIDENFADEN (Denmark) said that Denmark was interested both in the work which had been done by the Working Party and in the new proposal presented by the French Delegation. He supported the proposal that the latter be referred to the Working Party on Tariff Levels.

Mr. DE GHAIT (Belgium) thought that contracting parties should be grateful to the French Delegation for its praiseworthy efforts to elaborate its earlier proposal with a view to producing a plan which could be put into practice. He supported the proposal that the French plan be submitted to the Working Party for detailed study.

Mr. VILIALON (Dominican Republic) said that his delegation appreciated the effort of the French Delegation and was interested in the new proposal which, among other things, took account of the special conditions in under-developed countries. In the view of his Government, however, a plan of this nature, concerned with customs tariffs, should be studied in conjunction with other barriers to international trade such as quantitative import restrictions and subsidies. The benefit to be gained by under-developed countries from a general lowering of tariffs was not great in view of the limited products on which they depended for their export income. His Government would however, be prepared to give careful consideration to the proposal.

Mr. DE PAN (Canada) stated that the Canadian Delegation was interested in all proposals which gave hope of a further reduction in the tariff levels of the world. The new French plan, which took account of the different conditions prevailing in countries at different stages of economic development, contained suggestions which merited close consideration. The Canadian Delegation however, was not yet in a position to say whether or not it provided a solution to the problem; further study would be required before a realistic judgment could be passed as to what exemptions should be accorded to under-developed countries in the application of a general plan for tariff reduction. His delegation, therefore, supported the proposal that the French plan be submitted for further study to the Working Party with extended terms of reference; he assured the CONTRACTING PARTIES that the Canadian Government would not fail to give careful consideration to any proposals which might result from the discussions of the Working Party.

Mr. SINGH (India) thought that the general objectives of the new plan were commendable especially as it aimed at enabling more countries to participate in it. His delegation was not yet in a position to comment on the plan in detail but he drew attention to paragraph 13 of the document which reflected the conclusions of the Working Party as contained in paragraphs 16 and 17 of its report, which (especially the penultimate sentence in the former paragraph) in turn, embodied the view of the Indian Government on this subject. Mr. Singh then pointed out that under the Indian tariff system, tariffs were classified as revenue and protective; protective duties were established by the Tariff Board after careful consideration of the protection required to be accorded to different industries. Any automatic scheme of tariff
reduction was therefore bound to upset the whole balance in the tariff structure to the detriment of the plans for economic development. The Indian Delegation while having no objection to the new French document* being referred to the Working Party, it had to draw attention to the real difficulties confronting India, which might be taken into account by the Working Party in discussing the proposal.

Dr. van BLANKENSTEIN (Netherlands) said that his delegation appreciated the effort of the French Delegation in putting forward the new proposal and that it would be prepared to engage in any further discussions of the plan. The Netherlands Delegation, as it might be recalled, had also put forward a plan for the automatic reduction of tariffs and therefore attached great importance to the new proposal put forward by the French Delegation. The Netherlands Delegation, however, was not of the view that a scheme of tariff reduction, to be beneficial to international trade, must embrace all contracting parties. Any plan which might be evolved on the basis of the French proposal would be judged in the Netherlands according to the value it would have in solving the problems arising from the disparities in European tariffs. He also supported the proposal of entrusting the existing Working Party with the task of making a study of the French plan.

Mr. LECKIE (United Kingdom) said that the United Kingdom Delegation had expressed its doubts about the efficacy of any plans for tariff reduction on an automatic basis. He agreed with the Indian representative that the question of what degree of protection should be accorded to particular industries was one which could be decided only by the particular government concerned. The United Kingdom Delegation was however grateful to the French Delegation for the new proposal, which took account of the points made by other delegations as expressed in the Working Party report, and would agree that discussion of the new French proposal would be useful to the CONTRACTING PARTIES when they were in a position to make practical use of the results. He also supported the proposal of referring the matter to the Working Party on Tariff Levels for further study.

Mr. VERNON (United States) welcomed the French proposal which in the view of his delegation merited close consideration by the CONTRACTING PARTIES and he therefore supported the proposal which had been put forward by other speakers.

Mr. KHAN (Pakistan) said Pakistan had a tariff structure similar to that of India and that his delegation shared the view of the Indian representative. The proposal for an automatic reduction of tariffs, in the view of his delegation, was not particularly favourable to underdeveloped countries. It would at any rate be difficult for such countries, depending to a considerable extent for their public expenditure on customs revenues, to reduce their tariffs significantly. His delegation would, however, not object to further study of the proposal by the Working Party.
The CHAIRMAN concluded that there was unanimous agreement that the French proposal as contained in L/58 be referred to the Working Party on Reduction of Tariff Levels. He proposed that the terms of reference of the Working Party, as set out in L/37, be extended by adding at the end of paragraph (d) a reference to the new French proposal submitted in November 1952.

This was agreed.

2. Nicaragua and El Salvador Free-Trade Area (G/19 and L/33)

Mr. AMY (observer for El Salvador) was invited by the Chairman to participate in the discussion. Mr. Amy pointed out that in its First Annual Report on the Free-Trade Area, the Government of Nicaragua had stated, in a neutral and objective way, that the Republic of El Salvador had found itself obliged to resort to the facilities granted in Article III of the Free-Trade Area Treaty and had temporarily forbidden the import of maize from Nicaragua. The attitude taken by the Nicaraguan Government was in conformity with the provisions of the Treaty. In the view of the Salvadoran representative, the measure taken by his Government was not contrary to Article XXIV and followed the spirit of the General Agreement. As a result of the persistent fall in the price of maize which was one of the products for which special reservations were made in the Treaty, the Government of El Salvador had suspended the import of that product and the Joint Trade Commission had agreed that this measure was in conformity with the provisions of the Treaty. In the circumstances, the representative of El Salvador expressed the view that it would be inopportune for the CONTRACTING PARTIES to intervene in the matter at this stage; perhaps their discussion on this point could be deferred until next year.

Mr. VERNON (United States) said that while the points made by the Salvadoran representative merited sympathetic consideration, it was incumbent upon the CONTRACTING PARTIES to watch closely the relationship and consistency between the developments in the Free-Trade Area and the provisions of Article XXIV. He suggested that the proposal contained in paragraph 6 of the secretariat note (L/33) requesting the Government of Nicaragua to furnish additional information with each annual report, be adopted.

Mr. SVEC (Czechoslovakia) observed that any such reports and additional information (as suggested in the secretariat note) would have to be submitted by the Government of Nicaragua; as in the case of Libya, it would not be appropriate for the CONTRACTING PARTIES to require information from a non-contracting party.
Mr. AMY (observer for El Salvador) wished to make clear that the information he had supplied to the CONTRACTING PARTIES had been put forward spontaneously and not in fulfilment of any obligation.

The CONTRACTING PARTIES took note of the First Annual Report submitted by the Government of Nicaragua (G/19) and agreed that as suggested in paragraph 6 of the secretariat note (1/33), the Government of Nicaragua should be asked to furnish, in its future annual reports on action under Articles III and IV of the Treaty, the following information:

(i) details of all changes since the formation of the free-trade area in Nicaragua in rates of duty applied to products originating in the territories of other contracting parties,

(ii) monthly and annual published statistics of trade,

(iii) monthly statistics of trade by products between Nicaragua and El Salvador distinguishing if possible between products originating in the territories concerned and foreign products.

3. Article XXVIII Negotiations between Cuba and the United States

The CHAIRMAN announced that according to information supplied by the two delegations concerned the negotiations had not been completed and it was with the wish of the two delegations that the CONTRACTING PARTIES extend the time-limit for the completion of the negotiations to the opening date of the Eighth Session.

On the proposal of the Chairman, the CONTRACTING PARTIES adopted the following decision:

"The CONTRACTING PARTIES

HEREBY DECIDE to extend the time-limit for the completion of the negotiation between the United States and Cuba, fixed in the Decision of 22 October 1951, to the opening day of the Eighth Session of the CONTRACTING PARTIES."

4. Increase in the United States Duty on Dried Figs (1/57)

The CHAIRMAN recalled the earlier discussions at this Session and presented the proposed resolution resulting from the bilateral discussions between the countries concerned (1/57).
Mr. PAPATSONIS (Greece) stated that the parties concerned had not been able to reach agreement on all points or to find a solution fully satisfactory to all of them. The proposed resolution would only extend the time-limit provided in Article XIX:3(a) in the hope that the United States would be in a position to restore the concession granted on this item at Torquay. It was hoped that the continued discussion would result in a fully satisfactory solution before the opening of the Eighth Session.

Mr. ISIK (Turkey) informed the meeting that the United States Delegation had explained that action on the part of the United States had been delayed for procedural and administrative reasons. It had therefore been proposed that a decision be deferred until the next session and the proposed resolution had been presented. The Turkish Government remained of the view that the only satisfactory solution would be for the United States to restore the concession and it was to be hoped that the final settlement would reestablish the balance of reciprocal benefits. As Turkey relied on a few commodities for its export income and the action by the United States affected its interests profoundly, in the circumstances it had no choice but to suspend a few concessions in the meantime. In conclusion he emphasized that the present provisional solution was not satisfactory in view of its restrictive effect on international trade and he hoped that the United States would spare no effort to find a solution.

Mr. ANZILOTTI (Italy) requested that it be recorded that Italy was also substantially interested in the question.

The proposed resolution as set out in L/57 was adopted.

The meeting rose at 1 p.m.