SUMMARY RECORD OF THE NINTH MEETING

Held at the Palais des Nations, Geneva,
on Friday, 17 October 1952, at 3.00 p.m.

Chairman: Mr. Johan MELANDER (Norway)

Subjects discussed:
1. Schedule XXV (Greece) - Increased Duties
2. Council of Europe - Tariff Barriers
3. South Africa-Southern Rhodesia Customs Union
4. Brazilian Internal Taxes

1. Schedule XXV (Greece) - Increased Duties (L/15)

Mr. LECKIE (United Kingdom) said that his Government was fully conscious of the difficulties through which Greece was passing and had placed this item on the agenda with regret. They had felt bound, however, to draw the attention of the CONTRACTING PARTIES to a deviation from the commitments which Greece had undertaken under the Agreement, which affected all contracting parties with an interest in the Greek Schedule. The duties in the Greek Schedule were mainly specific duties, expressed in gold drachma. Coefficients were then applied to these duties to convert them to paper drachma. These coefficients were of two types, pre-war and post-war coefficients. One of the objects of the contracting parties which negotiated with Greece had been to secure a binding not only of the specific duties but also of the coefficients. Had the coefficients not also been bound against variation, the duties contained in the Schedule would have had little value. Greece had thus undertaken at Annecy not to increase the pre-war coefficients above certain specified levels, varying between 5 and 40. These were the coefficients that the Greek Government had now increased. Only the pre-war coefficients were in question, the post-war coefficients having been bound at 228 with provision for variation in the event of a substantial change in the value of the paper drachma in relation to the gold sovereign.

Mr. Leckie considered that the CONTRACTING PARTIES should urge Greece to comply with its obligations under Article II. It appeared that Greece, if it found the obligations onerous, should have waited until such time as the concessions could have been renegotiated in accordance with the Agreement, for instance under Article XXVIII at the end of 1953, instead of altering the coefficients in a manner contrary to the Agreement.

Mr. PAPATSONIS (Greece) explained that his Government, after three successive revisions of the budget for the year 1952-1953, had been faced with the absolute necessity of covering a deficit of 700 billion drachma,
resulting largely from the unexpected reduction of American aid. As a result his Government had had to apply rigorous measures affecting various sectors of the country's economic life. Among the first of the measures was the imposition of new taxes and the increase of various existing ones. At the same time, his Government decided to consolidate certain pre-war coefficients at their normal level of 40, where they should have been fixed but for the binding imposed at Annecy during the negotiations between Greece and the United States. Greece had accepted this binding with difficulty since it deviated from the principle of uniformity of the coefficients and deprived his country of the right recognized in other countries after the War, to re-adapt their customs duties so as fully to take account of the devaluation of currency.

His Government was aware that in taking this action it was departing from its obligations under the Agreement and did so with great regret. Had the situation been less dangerous, Greece would of course, have waited until 1953. In taking this measure Greece should have communicated with the CONTRACTING PARTIES. Mr. Papatsonis pointed out that he had unofficially informed the secretariat, and the delegations present in Geneva at an intersessional meeting during July of the measure. It had been unofficially agreed that Greece would present the question to the Seventh Session. His Government now requested the CONTRACTING PARTIES to recognize that Greece was undergoing an economic and financial crisis and to agree, in accordance with the provisions of Article XXV:5(a), to relieve Greece of its undertaking with respect to the binding of the so-called pre-war coefficients. His Government also requested the CONTRACTING PARTIES to take into consideration the urgency of the situation, which had obliged his Government to proceed unilaterally in the application of this measure from the month of July of this year. Mr. Papatsonis added that the measure was considered as a temporary one. The Greek Government was convinced that the rigorous measures taken would be effective to deal with the threat of financial failure, and that within a period of six to eight months the measures could be abolished.

Furthermore, the CONTRACTING PARTIES would be interested to know that his Government had instructed the competent services in Greece to prepare a revision of the present Greek tariff and of the basic tariff regulations, which was to coincide with the transposition of the Greek Schedule into the Brussels nomenclature. The latter had already been accepted in principle by his Government. The revision would include the conversion of a number of specific duties to ad valorem duties, with a view to eliminating the disadvantage which had so often been caused by the system of coefficients based on the gold sovereign. For the assessment of duties which remained specific, it was intended to depart from the gold sovereign as a basis for conversion since the relations between the parity of gold and the prices on the internal market had lost their traditional equilibrium. More effective and realistic rules were necessary. The gold sovereign might be replaced by a coefficient based on cost of living indices which would vary in accordance with the cost of living. Among the many reasons which imposed a revision of Greek monetary and tariff policy was the fact that the
marked decline in the purchasing power of the drachma coincided with a similar decline in the value of the gold sovereign. The new plan would probably be communicated to the CONTRACTING PARTIES some months before the negotiations provided for in Article XXVIII, in order that there would be ample time for the necessary consultations. Mr. Papatonis believed that this plan would serve the common interest since it would be more solidly based than the present system.

M. LECUYER (France) said his country sympathised with the difficulties of Greece and had no wish to complicate them. It must be emphasized, however, that the majority of the coefficients which had been raised were bound in the Agreement and that this action had seriously affected exports to Greece. He hoped that some remedy would soon be found.

M. Lecuyer was also somewhat alarmed at the proposed plan mentioned by the Greek delegate, which he feared would affect the stability of commercial relations with Greece, and thereby the stability of world trade in general. One of the purposes of the Agreement was just such stability.

Mr. Di NOLA (Italy) said there was no question of reproaching the Greek Government whose exceptional situation was plain to everyone. The measures however were contrary to the commitments assumed by Greece. This fact was recognized by Greece, who had asked for a waiver under Article XXV, and the legal question thus was not at issue.

In view of Italy's concern that the links between the two countries, commercial or otherwise, should be as close as possible, Mr. Di Nola, ventured to remark on the general economic situation. Greek duties were extremely high; they had now been raised by the increase in the coefficients and on top of this were the taxes that had been the subject of discussion at the previous meeting. The result was to make prices prohibitive and increase the scarcity of goods on the Greek market. This could only encourage inflation, and inflation was precisely what the measures were designed to prevent. Mr. Di Nola wondered whether some other policy would not prove more successful internally as well as avoiding damage to commercial relations with Greece.

Mr. HAGEMANN (Germany) said that his Government also considered that the measures taken by Greece were contrary to Article II. These measures created great difficulties for German trade with Greece and he hoped that a solution under the Agreement would soon be reached.

Mr. VERNON (United States) agreed with the views of other delegations. His Government understood the Greek problems but was distressed that they had felt compelled to take measures which contravened the Agreement in their attempt to find a solution. He proposed that the matter be referred to a smaller group for consideration.
Mr. ADARKAR (India) said that the Greek delegate had referred to a waiver under Article XXV. It seemed to him that the question required further study which could perhaps best be done by the Panel on Complaints. A number of questions arose, among them why some of the prewar co-efficients had been raised to 40 and others only to 50. The financial difficulties of the Greek Government presumably applied to all groups. Mr. Adarkar thought that Article II:3 might also be relevant. It was important that the provisions of GATT should be observed in their spirit as well as in their letter.

Mr. PAPATSONIS (Greece) thanked the representatives for their sympathy. He wished to emphasize that although the co-efficients had been raised above the rate at which they were bound at Annecy, they had not been raised beyond an adjustment to the parity between the drachma and the gold sovereign, i.e. 40.

Referring to the planned revision of the tariff, Mr. PAPATSONIS wished to assure the CONTRACTING PARTIES that this was only a plan and would not be put into effect without their approval.

Dr. THEU (Austria) said that Austria had traditional economic relations with Greece and this question was of concern to his country since the increase of co-efficients affected almost all its exports.

The CHAIRMAN summarized the discussion. Greece had admitted a breach of the Agreement but claimed it was necessary as part of a general financial scheme and requested a waiver under Article XXV:5(a). Other delegations wished the matter to be considered further and he proposed that it be deferred to the Panel on Complaints.

In reply to an observation of Mr. Di Nola, the CHAIRMAN remarked that if it seemed that the Panel was being assigned too many cases to be able to report on them all before the end of the Session another group could be set up. He emphasized that the Panel should hear all parties interested in the complaints before it.

2. Council of Europe - Tariff Barriers (L/22)

Mr. JACCHIA (Council of Europe) said that the Committee of Foreign Ministers, as a result of a resolution of the Strasbourg Assembly, had invited the CONTRACTING PARTIES to study the technical implications of a plan for the reduction of customs tariffs. The Council of Europe, in making this request, wished not only to call upon the advice of the customs experts of the CONTRACTING PARTIES but also to show that it considered the CONTRACTING PARTIES as the competent organ to deal with all questions in the realm of tariffs and international commercial policy.

The Low Tariff Club Plan, approved by the European Assembly almost unanimously, was, as yet, only a statement of principles. It provided for the fixing of a tariff ceiling and went on to define three maximum levels for the three main categories of trade; finished goods, unfinished goods and raw materials. Finally, it provided for the Plan to be carried
out over several years, in order that countries might have reasonable
time to adjust their tariffs to these maximum levels. It should be
noted that the Low Tariff Club Plan was in no way intended to institute
a new preferential system.

The Council of Europe had requested that study of the plan should be
assigned to the working party dealing with the French plan. However,
the Intersessional Committee decided that a special group should be
established to study the matter and a report had been prepared by the
secretariat to serve as a basis for this study.

Mr. Jacchia was confident that the composition of the group of
experts to study the plan would assure a detailed examination of the
technical implications in all their aspects, without impeding the
progress of the work of the CONTRACTING PARTIES.

Mr. SCHELL (Netherlands) said that his delegation had supported
the French suggestion at the Intersessional Committee that the Council of
Europe plan should not be discussed together with the French plan, and
had agreed to refer the Strasbourg proposal to a separate working party.
The Netherlands attached great importance to the adoption by the Council
of Europe of this proposal, as evidence of the general desire in Europe
to reduce tariff disparities. Technical consideration by a group of
experts should not be considered as finally disposing of the matter, but
he supported a technical consideration of the plan at this stage.

Mr. SVEC (Czechoslovakia) said that the remarks by the representative
of the Council of Europe differed considerably from the document submitted
to them. (IW. 2/9). His Government had been under the impression that this
was a purely technical matter to be considered by a group of experts.
It now appeared that the Consultative Assembly was asking the CONTRACTING
PARTIES to study the plan and report upon it. This would of course involve
taking a stand on the matter. Mr. Svec associated himself with the
remarks made at the Intersessional Committee by the representative of
Canada that the CONTRACTING PARTIES was not a group of experts but was the
competent body to deal with tariff matters and was at the moment consider­
ing another proposal. He did not consider that it would be suitable
for the CONTRACTING PARTIES to submit a report to the Council of Europe.
If a group were appointed to consider the plan it should be composed of
experts, as experts, and not as representatives of their respective
governments. Whatever conclusions they arrived at should not be trans­
mitted to the Council of Europe as conclusions of the CONTRACTING PARTIES.

Although the CONTRACTING PARTIES should give close attention to any
attempt to lower trade barriers they should not associate themselves with
any tendency to create blocks of countries which would openly discriminate
against others and increase the tendency to dismember the European and
world trading community.
Mr. SAHLIN (Sweden) thought the Council of Europe proposal important and of interest to the CONTRACTING PARTIES. He agreed that as a practical matter it was preferable to separate consideration of this question from the French Plan and he supported the establishment of a group of experts. Such a group should represent various geographical areas and economic interests and his country would be glad to participate in this consideration. He agreed with the Netherlands Delegation that technical consideration should not be considered as finally disposing of the matter.

Mr. AGERUP (Denmark) said that Denmark regarded any proposal for lowering tariff levels with sympathy and associated himself with the views expressed by the delegates of the Netherlands and Sweden.

Mr. HAGEMANN (Germany) agreed to the proposal to examine the Council of Europe plan in its technical aspects, independently of the examination currently taking place of the French plan. His delegation was prepared to take part in this work.

Mr. LE GHAIT (Belgium) supported the views expressed by the previous speakers and said that his delegation would be glad to collaborate in the study of the plan.

Mr. DE NOIA (Italy) thought that a plan so carefully drawn up and soundly conceived merited the serious attention of the CONTRACTING PARTIES. His delegation hoped to have an opportunity to take part in the consideration of the plan and agreed that this consideration should take place in a separate group so as not to delay the study of the French plan.

Mr. LECUYER (France) said that his delegation had insisted on a separate group to study the Council of Europe plan only in order that the work which was already well-advanced on the French plan should not suffer any delay. Furthermore, the Council of Europe plan was only to be considered in its technical aspects whereas the French plan, which was conceived within the general framework of the Agreement, came directly under the competence of the CONTRACTING PARTIES from the point of view of substance as well. His Government attached considerable importance to the Council of Europe plan. The question before the CONTRACTING PARTIES now was merely whether to comply, as it seemed to him would be only courteous to do, with the Council of Europe’s requests for technical advice. He disagreed with the Czechoslovak delegate. There was no question of studying the substance of the matter; nothing more than technical advice had been requested or should be given.

Mr. FLETCHER (Australia) referred to Paragraphs 16 and 17 of the draft report (L/22) which contemplated that countries outside of Europe would be expected to reduce their duties on items of particular interest to the export trade of participating countries. His delegation had some difficulties with this but would not stand in the way of the transmission of such a report to the Council of Europe provided it were
noted in the record that Australia reserved its position in the event that this plan were eventually to impose obligations on governments outside Europe.

Mr. SVEC (Czechoslovakia) said that the CONTRACTING PARTIES were composed of representatives of governments and not of experts. He would have no objection to the plan's being studied by a group of experts and the results of their consideration transmitted to the Council of Europe purely as a courtesy.

The CHAIRMAN said there appeared to be agreement to establish a group of experts to give their views on the technical implications of the Council of Europe plan. The CONTRACTING PARTIES would not be responsible for the report which would be a technical report and passed on as such to the Council of Europe. He proposed as members of the group -

Chairman:  Mr. K. L. Press (New Zealand)
Members:  M. Dubois (Belgium)
           Mme. L. M. Piragá (Brazil)
           M. W. Hagemann (Germany)
           M. E. Anzilotti (Italy)
           Mr. Y. Wickberg (Sweden)
           Mr. J. K. Hulme (United Kingdom)
           Mr. J. F. Hight (United States)

3. South Africa - Southern Rhodesia Customs Union (G/13, L/48)

Dr. BOTHA (Union of South Africa) said that the Governments of the Union of South Africa and Southern Rhodesia had undertaken at Annecy to furnish the CONTRACTING PARTIES by 1 July 1952 with copies of the Annual Reports of the Southern Africa Customs Union Council; to submit a report on the progress toward the elimination of tariffs and other restrictive regulations between their territory and the application of the same tariffs and regulations to the trade of third countries; to submit by 1 July 1954 a definite plan scheduled for the completion of the Customs Union; and to complete the establishment of the Customs Union not later than 1 April 1959. Up to the present the two governments had submitted three Annual Reports and the Progress Report (G/13).

Mr. HEATHCOTE (Southern Rhodesia) associated himself with the remarks by the South African delegate. He referred to Paragraph 4:b of the secretariat's Note concerning the first three years of operation of the Agreement (L/48) which stated that duties were maintained by Southern Rhodesia on imports of certain manufactured articles which in 1947 accounted for about 30% of total imports from South Africa. He expected shortly to have information available for the information of the CONTRACTING PARTIES as to whether this percentage had remained the same.

Mr. VERNON (United States) said that his Government welcomed the arrival of the Annual Reports of the Southern African Customs Union Council
since they were much more informative than most reports of a similar nature.

One or two points were of some interest. It appeared from the Report and also from the secretariat's Note, that the process of aligning the external tariffs of the two countries, which had made considerable progress in the earlier stages, had now slowed down. There was also the comment of the Customs Union Council that the proposal for the federation of the Rhodesias and Nyasaland might delay the alignment of tariffs between South Africa and Southern Rhodesia. He wondered whether these were new elements which might affect the status of the Plan and Schedule in 1954.

Mr. ADARKAR (India) referred to the permissive character of Article XXIV and the requirements which had to be fulfilled. The Annecy declaration had also laid down the criteria that the duties and regulations should be eliminated between the two countries and that the same duties and regulations should be applied by the two countries in respect of their trade with other countries. He was not clear from the documents submitted (G/13 and L/48) as to whether progress was being made in this respect.

Mr. PANSEGROUW (South Africa) said that the slower rate of progress was more apparent than real. In the last two years progress similar to that achieved in the first two years in the realignment of the tariffs had been accomplished, although in the latter years nomenclature rather than duties had been involved. He referred to the agreement that had been reached on regulations and customs practices (G/13 Para.6) all of which materially simplified the trade between the two countries and third countries.

The CHAIRMAN said that the CONTRACTING PARTIES would take note of the reports and of the statements made during the meeting.

4. Brazilian Internal Taxes

Mr. VALLADAO (Brazil) said that his Government was distressed that this item was still on the agenda of the CONTRACTING PARTIES. At Torquay the working party had concluded that a draft law submitted by the Brazilian delegation would be in accordance with the Agreement. This draft had been sent to the Congress and at the Sixth Session his delegation had assured the CONTRACTING PARTIES that approval would shortly follow. Unhappily in the meantime, certain considerations had intervened to prevent this outcome. Firstly there had been a change of Government in Brazil so that the draft law had to be considered by an entirely new legislature. More important however was the fact that at the beginning of 1952 certain large and industrialized countries had found themselves in difficulty with respect to their position under the Agreement. These difficulties were reflected in Brazil, and, in fact certain sectors of the Brazilian economy had actively urged the withdrawal of Brazil from the Agreement. The Government had appointed a commission to investigate the matter and this commission had finally decided in favour of remaining in the Agreement.
The first evidence of this favourable attitude was the action taken by the Government to hasten the approval of the Torquay Protocol which was in fact, approved by the Chamber of Deputies only a few days ago.

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 the General Agreement upon a more realistic basis. The question of the internal taxes was parallel to these other questions and he believed that it also would soon be solved. He thanked the CONTRACTING PARTIES for their patience in this matter and was particularly grateful to the French Government. He requested that the item be maintained on the agenda for discussion at the next Session, if the problem had not been settled before.

Mr. LECUYER (France) thought that the Brazilian delegate had given a certain amount of satisfaction to the CONTRACTING PARTIES and to the general situation. On the precise question at issue there was of course still no settlement. His delegation nevertheless hoped that the item would have disappeared from the agenda before the next Session.

The CHAIRMAN said that the CONTRACTING PARTIES would take note of the statement by the Brazilian delegate. He wished to draw attention to the fact that this item had first come up in 1949 and had been on the agenda of every session since the third. He hoped it would not be on the agenda of the Eighth Session.

The meeting adjourned at 6:45 p.m.