CONTRACTING PARTIES
EIGHTH SESSION

SUMMARY RECORD OF THE THIRTEENTH MEETING

Held at the Palais des Nations, Geneva,
on Tuesday, 6 October 1953, at 10.30 a.m.

Chairman: Mr. AZIZ AHMAD (Pakistan)

Subjects discussed:
1. South Africa - Southern Rhodesia Customs Union.
2. Central Africa Federation.
3. European Coal and Steel Community.

The CHAIRMAN thanked the CONTRACTING PARTIES for the honour they had paid his country and himself in appointing him to the Vice-Chairmanship; he would thus be afforded an opportunity to serve the CONTRACTING PARTIES.

1. South Africa - Southern Rhodesia Customs Union (L/104, L/152)

Mr. WARD (Southern Rhodesia) referred to the Fourth Annual Report of the Customs Union Council and to the joint statement in document L/152 by the delegations of the Union of South Africa and Southern Rhodesia. Recent constitutional developments in the Rhodesias and Nyasaland had made it necessary to provide for the transfer to the Federal Government from the three territories of jurisdiction over trade matters. The two governments would continue the present Agreement as a modus vivendi, each party being free at any time to terminate the Agreement on six months's notice from the date upon which notice was given.

Mr. PANSEGROUW (Union of South Africa) associated himself with the remarks of the delegate for Southern Rhodesia.

Mr. BROWN (United States), having studied the Fourth Annual Report, noted that during the past year little progress had been made towards a full customs union. Article XXIV:5(c) of the General Agreement provided that an interim agreement should include a plan and schedule for the formation of such a customs union "within a reasonable length of time". However, the joint statement
and the exchange of Notes by the Governments of the Union of South Africa and Southern Rhodesia, amending the Customs Union Agreement, would be a modus vivendi until such time as the new Federation was established and would set up its own jurisdiction. Therefore, there appeared no further need to examine the Annual Report, but he hoped the new Federal Government would soon institute definitive trading arrangements and define its relationship to the CONTRACTING PARTIES.

Mr. WARD (Southern Rhodesia) thanked the delegate for the United States for his statement which would be conveyed to the Federal Government.

The CHAIRMAN proposed that the CONTRACTING PARTIES take note of the fourth Annual Report and await developments.

2. Central Africa Federation (L/132)

The CHAIRMAN drew attention to the joint statement issued by the United Kingdom and Southern Rhodesia delegations announcing that the Federal Government for Central Africa had come into existence on 3 September. The Constitution provided for transfer, to the Federal Government from the three individual territories, of jurisdiction over matters covered by the General Agreement. When that Government became responsible for determining its own policy on those matters, it would inherit the rights and obligations of the Government of Southern Rhodesia and would implement the obligations in respect of Northern Rhodesia and Nyasaland including the right to participate in meetings of the CONTRACTING PARTIES. The CONTRACTING PARTIES would be notified when that transfer had been completed and the Intersessional Committee would then prepare the necessary changes with respect to the Agreement and would submit a report to the Ninth Session.

The procedure proposed by the Chairman was approved.

3. European Coal and Steel Community (L/120 &/Corr,1,2 - L/143 &/Corr,1,2)

Mr. ELVINGER (Luxembourg) presented the First Annual Report (L/120) on behalf of the six member States of the European Coal and Steel Community.

This report had been drawn up consistent with the terms of paragraph 7 of the Decision of the CONTRACTING PARTIES dated 10 November 1952. The report comprised four parts: the first outlined the work of the Community and indicated the measures adopted to establish a common market for coal and steel. The second part enumerated, in six annexes, the individual decisions taken by the member States. The third part contained the nomenclature adopted for treaty products and was based on the international nomenclature of Brussels. The fourth part supplied a model of the certificate of "free pratique" mentioned in paragraph 10 of the report. The secretariat of the GATT, in compliance with the recommendation of the Intersessional Committee, had collected additional data to assist the CONTRACTING PARTIES in examining the report.
The six governments had endeavoured to supply the clarification necessary to enable the CONTRACTING PARTIES to understand the measures they had adopted and were ready to give any additional information required. In particular, it should be recalled that all international obligations had two aspects: a short-term and a long-term aspect, and the Coal and Steel Community was no exception to this rule. The advantages for third countries might not yet be as evident as the member governments had hoped at the time the waiver was granted, but the initial period having been accomplished, the Community's achievements would in future be of decisive advantage to both the contracting parties and the member countries. In all their decisions, the latter were bearing in mind the principles contained in the Decision of 10 November 1952 and notably in its preamble. Negotiations with third countries, which were stipulated under section 14 of the Convention on Transitional Regulations, were at present one of the chief concerns of the Community. He recalled the gratification felt by the six member States that the CONTRACTING PARTIES had enabled them to progress one step further along the path of international economic co-operation, towards the common goal of the GATT and the Community.

Mr. THAGAARD (Norway), having listened with the greatest interest to the comments by the delegate of Luxembourg, shared with him the hope that the far-reaching experiment undertaken by the European Coal and Steel Community would be successful and that its activities would benefit member States and outside countries alike. He recalled the obligations undertaken by the Community under the waiver and, in particular, its preamble specifying that it should take account of the interests of third countries both as consumers and as suppliers of coal and steel products, further the development of international trade and ensure that equitable prices were charged by its producers in markets outside the Community. In considering the report by the Community and the Note by the Executive Secretary, the CONTRACTING PARTIES would need more detailed information regarding, in particular, the trade policy followed by the Community and by the producers within the Community with regard to third countries. It would notably be of interest to obtain a general survey of the export prices charged by the producers within the Community since the common market was established. Those prices should be compared firstly with the prices charged on the same products during the year prior to the establishment of the common market, secondly, with the prices charged by the producers on the common market, and, thirdly, with the prices charged by competing producers in other countries. In the second place, the CONTRACTING PARTIES would be interested to know whether the producers within the Community had made cartel agreements with regard to export prices and whether such agreements had had harmful effects on third countries. It had been reported that a cartel agreement in respect of steel products had been established on 19 March 1953 and had been consolidated at a meeting in Brussels on 8 September. The minimum prices fixed under that agreement varied according to the markets, the prices for countries outside the Community in Europe being higher than prices for the United States and Canada. These points and others could most appropriately be referred to a working party.
Mr. SAHLIN (Sweden) said that Sweden was one of the countries whose position was directly affected by the establishment of the European Coal and Steel Community. Important interests connected with industries occupying essential positions in Swedish economy were involved, both with regard to exports and imports. His country had, therefore, established a permanent delegation to the High Authority of the Community. It was interested not only in maintaining close contact with the various organs of the Community, but also through other international organizations in respect of which the Community had undertaken obligations of varying types. It was his conviction that the CONTRACTING PARTIES, as representing the central international body for problems of tariffs and trade, should have an important part to play in that respect.

He recalled the waiver granted to the Community at the Seventh Session and thanked the delegate for Luxemburg for his presentation of the report submitted under the waiver Decision. That report had shown that no measures contrary to the General Agreement or to the waiver Decision had been taken by the member countries. Although it could not be expected that the CONTRACTING PARTIES would require reports on all the activities of the Community, he regretted that the report was not more detailed. It seemed that examination by the CONTRACTING PARTIES should mainly bear upon such aspects of the activities of the Community as came within the competence of the General Agreement. Therefore, examination of the relationship between the Community and third countries should not be a pure formality, but should include full consideration of the principles underlying the waiver Decision. He felt that ample factual information should be supplied by the representatives of the Community as well as by the High Authority, and he therefore appreciated the analysis of the report by the Executive Secretary in document L/143. In particular, that analysis covered some of the broader aspects of the report which it was the duty of the CONTRACTING PARTIES to keep in mind, and he hoped the Executive Secretary would prepare such documents to assist the CONTRACTING PARTIES at future sessions.

The report hardly required critical examination at the present Session, since the Community had been at work only for a relatively short period which hardly permitted a general perspective of its functioning and tendencies. But it should be borne in mind that relations with third countries might increase in volume in the field of tariffs and trade policy, parallel to the further development of the Community, and tendencies relating to problems such as prices and cartels might become apparent, compromising the spirit in which the waiver was originally framed. It would therefore seem appropriate that a system be set up for dealing with reports of that kind which would conform as closely as possible to existing procedures in the GATT organization. The Swedish delegation would wish to put a few questions of a practical nature to the representatives of the member States and of the High Authority and supported the proposal to set up a working party for such purposes.
Mr. SEIDENFADEN (Denmark) observed that the members of the European Coal and Steel Community had faithfully carried out their legal obligations in submitting the report under the exact terms of paragraph 7 of the waiver Decision adopted by the CONTRACTING PARTIES. But he appreciated the additional material collected by the Executive Secretary. He recalled the lengthy discussions which had taken place in 1952 on the waiver, the result of which had been the inclusion in the Decision of Part IV. That point should doubtless be interpreted to mean that at their yearly sessions, the CONTRACTING PARTIES should be free to discuss in all their aspects, the commercial relations in the coal and steel field between the Community and the other GATT members.

The Coal and Steel Community was perhaps the most important experiment in economic co-operation in the post-war years and was revolutionary in its scope. It might be that the future would show that the plan was workable in its present form, limited as it was to six nations, and to two large categories of commodities. On the other hand, it might be found that the plan would have to be broadened both as to basis and membership, and might have to embrace other fields, commercial, economic and even political. The experience gained by the Coal and Steel Community could not fail to be useful in many ways; other countries might be encouraged to seek membership in the Community, while others again might join together in establishing common markets for commodities of special concern to them. He felt sure that all governments would try individually to gain cognisance of the work of the Community the benefits accruing to its members, the extent to which productivity and production were influenced by the establishment of a common market, and its impact on themselves and on non-member countries. The GATT representing the major part of world trade and having the common aim of solving world commercial problems, would obviously be interested in discussing frankly with the six member States of the Community the development of that organization. They would also be particularly interested to know how the Community, in carrying out its objectives, was benefitting other contracting parties, and was carrying into effect the provisions of the preamble.

Mr. Seidenfaden therefore supported the proposal to set up a working party for the purpose of subjecting the two reports to full discussion and he hoped that such a working party would become a yearly tradition, to the benefit of both the Community and non-members. He referred to the sceptical attitude of trade circles in Denmark towards the activities of the Community. Hitherto, they had been constrained to pay a club fee in the form of a generally applied surcharge on all coal and steel imports and they had done so in the hope that although they were not members, they might later reap benefits therefrom. However, reports had mentioned the revival of old cartel policies and that heavy fines had to be paid if an exporter sold steel products to third countries below certain fixed prices. Prices for coal and steel remained high, at a time when producers' stocks were increasing and demand declining. The Danish Government, however, were willing to give the Community the benefit of the doubt and results in the broader field could hardly be expected after such a short period of existence. Moreover, they were uninformed
as to the powers conferred on the bodies of the Community with regard to the trading of the six member States with third countries. He cited a recent document by the Council of Europe referring to the independence of member governments, as subject to certain stipulations, particularly those of Article 75. Together with Articles 59, 61, 72, 73 and 74, that Article conferred upon the Community certain powers in connection with trade between individual member countries and non-Community countries. It would be, therefore, most useful to have some clarification in the working party.

Mr. ENDERL (Austria) made some comments regarding, particularly, the relationship of Austria to the member States of the Community. He recalled that a general waiver had been granted to the member States by the CONTRACTING PARTIES, bearing in mind that some of the objectives of the European Coal and Steel Community might materially contribute towards attaining the aims of GATT i.e. to step up production and international trade, to ensure full employment and to raise real incomes and the standard of living within the scheme for integrating European economies. He also recalled the obligation of the member countries with regard to the interests of third countries. The report submitted by the six member States solely referred to the measures taken to set up the common market and held out prospects that the interests of third countries would be taken into consideration.

Austria's foreign trade was, to a very considerable extent, made up of products coming under the Community; on the import side it comprised, coal, scrap and ores, and on the export side, the Austrian iron and steel industry had traditional export markets in the territories of the Community which had organically developed within the framework of Austria's relations with those countries. The operations of the Community therefore affected the vital interests of Austria and she had agreed to the general waiver concession at the Seventh Session on condition that those interests be kept in mind in the future. The report of the Community showed a tendency towards co-ordinating the tariff rates on a lower level, as evidenced by the adjustment of the German and French tariffs at the lowest level existing within the Community. A further reduction of the German tariff rates for iron for a quota up to 31 August 1954, was a provisional arrangement which might, at the request of the High Authority, be repealed by invoking paragraph 14 of the Transitional Regulations. For the time being those measures had a beneficial effect on Austria's exports but certain other measures, in particular freight tariffs, might prove disadvantageous for them such as the common market for special steels to be set up on 1 May 1954, and a duty-free traffic within the Community, Austrian special steel exports to the area of the Community, would then come under the tariffs applicable to third countries and would meet with the greatest difficulties. Austrian iron and steel export industries would be faced with the fact that their traditional exports, counting hitherto amongst their most important markets, would be seriously affected, and would have to be directed towards other foreign markets to secure employment in those industries. Moreover, should there be a shortage in the area of the Community of coal, iron ore and scrap, Austrian steel production might be jeopardised thereby. Under Article XX of the General Agreement, Austria would be justified
in asking for commitments granting her an adequate allocation of coal, iron ore and scrap, and equitable treatment regarding freight tariffs.

The Austrian delegation therefore believed that the status quo of September 1953 should be maintained in general, and that negotiations should be started under paragraph 14 of the Transitional Regulations which would take due account of Austria's interests. In particular, Austria would hope that negotiations initiated without delay would protect the traditional export interests of the Austrian special steel industry, when the time came for the common market for special steel to be set up. He requested the CONTRACTING PARTIES to consider a solution which would take special account of Austria's position and he would welcome the opportunity for a full discussion in the working party.

Mr. BROWN (United States) said the emergence of the European Coal and Steel Community had been one of the outstanding developments in the postwar economic history of Europe. He referred to the waiver which had been granted by the CONTRACTING PARTIES only after careful consideration, since it would be a most serious step in view of its effect upon some of the central obligations of the General Agreement. The matter of the Community's policies with regard to its trade relations with non-member countries was a fundamental one, and the CONTRACTING PARTIES had a primary interest, during the transitional years, in ensuring that the arrangement would in fact lead to a full free trade regime within a reasonable period. He would also stress the undertakings and intentions of the Community in respect of treatment to be accorded to non-member nations.

The review of operations under the waiver should be an exceedingly important part of the annual business of the CONTRACTING PARTIES and he trusted that it would afford an opportunity for a full examination of the effect of the Community's activities with regard to the provisions of the waiver. The United States Government considered that those activities were so far-reaching in economy and trade that they had established a special mission to the High Authority. He hoped that the review of the report would explore the broad aspects of operations which had arisen under the waiver in the past year, and would not be confined to a narrow examination of technical compliance with individual points of the waiver. He trusted the Working Party would address itself not only to the action which had been taken, but to the basic premises upon which it had been taken. He would mention among the questions of interest to the CONTRACTING PARTIES the matter of the period when the Community would be in a position to undertake negotiations with the governments of third countries under the provisions of Section 14 of the Transitional Provisions with a view to harmonizing the external iron and steel tariffs of the Community. The Working Party would be interested in elucidating that question, including the prospective scope, time schedule, and procedure for such negotiations under paragraph 11 of L/120.
Mr. SANDERS (United Kingdom) said the report before the CONTRACTING PARTIES arose out of a most important waiver of substance. He agreed that it should be exhaustively examined in a working party. The United Kingdom delegation would doubtless raise some questions under paragraphs 11 and 12 of the report referring to the intention of the member States to harmonize their coal and steel customs duties and trade regulations.

Mr. SVEC (Czechoslovakia) confirmed the views he had expressed in the previous year when the waiver granted to the Coal and Steel Community had been discussed. Various speakers had referred to the broader aspects of the Schuman Plan, and to its effects on world co-operation. In 1952 the Czechoslovak delegation had expressed apprehension that the Plan would not contribute to world peace and the reconstruction of Europe, but that it would aggravate international tension and lead to a situation in Europe contrary to the principles of the Havana Charter, the GATT, and the United Nations Charter itself.

From the figures collected by the Executive Secretary, he failed to see any expansion of production in the sense of Article 2 of the Treaty of the Community. Article 2 also mentioned development of employment as one of its aims, but since the opening of the common market, some steel industries in Italy and coal mines in Belgium were being closed. Moreover, a steel cartel had been established within the Community resembling the conditions before the world war. Further developments were not of such a nature as to alleviate the fears of the CONTRACTING PARTIES with regard to relaxation of international tension. Although his attitude towards the Plan remained unchanged, he had no objection to seeking clarification by discussion in a working party.

Mr. PHILIP (France) had listened with interest to the comments by non-member countries of the Community, and he and his colleagues of the Community would be prepared to reply to questions by the contracting parties who were interested in the present activities of that Organization and its prospects for the future. He and his colleagues in the Community believed that the objectives of the GATT itself would be furthered by the activities which were now being conducted within the scope of the Community. He referred to the remarks by the delegate for Czechoslovakia who had, in particular, mentioned certain difficulties experienced by some European countries since the establishment of the Community. But the facts mentioned were one year old and were previous to the opening of the common market for coal and steel. The member States were prepared to examine the question of prices with the CONTRACTING PARTIES. Regarding cartels, the Schuman Plan had been set up precisely to combat the effect of cartels. Mr. Philip recalled the Economic Commission for Europe which had also been set up for a similar purpose. Within the Community, the High Authority had extensive powers to combat that tendency. Article 3(f) of the Treaty, in particular, empowered the High Authority to "further the development of international trade and see that equitable limits are observed in prices charged on external markets". Regarding prices he would point out that iron sheets and plate since 1 October had
dropped between 130 and 125 dollars per ton. The member countries would wel­
come international consultations on these points in the near future in order
that the position should be clarified for all.

Much still remained to be done and all problems could not be settled
at once by the six countries and the High Authority in five months. Con­
siderable headway had already been made and the difficult task of establishing
a common market for coal and steel had been accomplished, due to the fact
that there existed a supranational High Authority which took decisions and
enabled the machinery to operate despite difficulties. As soon as possible,
international negotiations would be undertaken to define the relations between
the European Coal and Steel Community and third countries.

Mr. MACHADO (Brazil) felt that in examining the report, the CONTRACTING
PARTIES should neither commend nor criticise the European Coal and Steel
Community, but should examine the data in the light of the principles of the
GATT. A method should be discovered of examining the reports of its work
to the best advantage of the CONTRACTING PARTIES. The work of the Community
itself was clearly delineated, and its reports to the governments, should be
limited to specific items. The method according to which the reports should
be drafted would therefore, have to be determined by the CONTRACTING PARTIES.

The CHAIRMAN said the discussion had been extremely interesting and he
thanked the member States of the Community for submitting their report. It
seemed to be the general view of the contracting parties that a working party
should be set up to obtain further information. It should not be the objective
of that working party to embark upon a wide discussion of the activities of
the European Coal and Steel Community, but should limit itself to the terms
of the Decision approved in 1952, to the provisions contained in its Preamble,
and to various points of that Decision. He proposed the following terms
of reference:

To examine, in the light of the statements made at the plenary meeting
on 6 October and of other relevant data, the first Annual Report of the
member States of the European Coal and Steel Community, which has been
submitted to the CONTRACTING PARTIES under the Decision of 10 November
1952, and to report thereon to the CONTRACTING PARTIES;

and a membership consisting of:

Chairman: Dr. C. Isbister (Canada)

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A representative of the High Authority would be invited to be present at all meetings.

This was agreed.

The meeting rose at 1 p.m.