GENERAL AGREEMENT ON TARIFFS AND TRADE

CONTRACTING PARTIES
EIGHTH SESSION

SUMMARY RECORD OF THE EIGHTH MEETING

Held at the Palais des Nations, Geneva,
on Friday, 25 September 1953, at 10.30 a.m.

Chairman: Mr. Johan MELANDER (Norway)

Subjects discussed: 1. Order of Business and Method of Interpretation
                    3. Time-limit for Application of Part II of Article XX
                    4. Nicaragua - El Salvador Free-Trade Area
                    5. Greek Schedule - Adjustment of Specific Duties under Article II:6
                    6. Rectification of Schedules

1. Order of Business and Method of Interpretation

   The order of business of the CONTRACTING PARTIES was agreed for the following two weeks.

   Mr. SANDERS (United Kingdom) said that, whereas simultaneous interpretation was suitable for general debates when there were many prepared statements, he would prefer consecutive interpretation for the ordinary discussion of Agenda items.

   An exchange of views followed in the course of which Mr. MACHADO (Brazil) declared himself in favour of simultaneous interpretation while the Chairman and Mr. GARCIA OLDINI (Chile) favoured consecutive interpretation as being more appropriate for the type of debates they were now entering upon.

   The CONTRACTING PARTIES agreed to revert to consecutive interpretation.

2. Valuation for Customs Purposes (L/81 and Add.1), Nationality of Goods (L/71 and Add.1) and Consular Formalities (L/92 and Add.1)

   Mr. HAGEMANN (Germany) said that the problem of the origin of imported goods had been the object of study and negotiation for many years by such bodies as the Economic Committee of the League of Nations, the European
Customs Union Study Group (now Customs Co-operation Council) and by the CONTRACTING PARTIES themselves. These studies, remarkable as they had been, had shown the complexities of the problem. The difficulties encountered had perhaps induced in certain contracting parties the feeling that a uniform international definition of origin was a hopeless task for the CONTRACTING PARTIES. His Government could not agree to this view. The notion of origin, as contained in the General Agreement, for instance in Article I, had certain important juridical consequences. The lack of a legal interpretation of the notion of origin which would be binding on all contracting parties might very well prejudice the advantages, privileges, etc. derived from the Agreement if different practical interpretations existed in different countries. The principal objective of the Agreement in this connection should therefore be the drafting of a uniform text for all contracting parties. For this reason, the German Government would feel gratified if at the Eighth Session a formula, capable of reconciling the interests of all contracting parties, were arrived at.

Mr. BROWN (United States) urged the CONTRACTING PARTIES to continue their study of the question and agreed with the recommendation of the Inter-sessional Committee suggesting the appointment of a working party. He wanted to recall that in the United States they had gone ahead and enacted legislation making some material improvement in their customs procedures. Legislation had also passed their House of Representatives, and was expected to be taken up by the Senate early in the next session, which would make substantial improvements in their laws on valuation. With regard to consular formalities, his Government had taken steps which went a considerable distance towards eliminating certain difficulties encountered in connection with consular invoices; they had, for instance, raised from $100 to $200 the minimum value of consignments for which a customs invoice might be required. Moreover, the Secretary of the Treasury was authorised to study the need for consular invoices and he was sure that these would be required only in cases where they were absolutely necessary.

The CHAIRMAN proposed the appointment of a working party composed as follows and with the following terms of reference:

**Membership**

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<th>Chairman: Mr. R. Ashford (United Kingdom)</th>
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<td>Brazil</td>
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**Terms of Reference**

1. To examine the statements submitted by contracting parties on their methods of determining the value of goods for customs purposes, with special reference to the steps taken to conform to the principles of Article VII.
2. To examine the statements submitted by contracting parties on the principles underlying their national legislation relating to the determination of the nationality of imported goods and on the implementation of these principles.

3. To examine the statements submitted by contracting parties on steps taken towards the abolition of consular formalities.

4. And to submit a report with any recommendations that the Working Party deems could be usefully considered by the CONTRACTING PARTIES.

The CONTRACTING PARTIES agreed to the Chairman's proposal.

3. Time Limit for Application of Part II of Article XX (L/135)

Mr. THAGAARD (Norway) illustrated the proposal by the Norwegian Delegation to extend the time limit for application of Part II of Article XX. The provisions in question had originally been regarded as temporary and were to expire not later than 1 January 1951. The time limit had already been twice extended; on both occasions the reasons for extension were the same - the conditions due to the war not having improved to the extent anticipated when the provisions were drawn up. Exceptional conditions still existed directly or indirectly due to the war. He wished, in particular, to draw attention to the balance-of-payments difficulties, which had repercussions on both the international trade and internal economy of many countries. Under those circumstances there would still be need for the application of measures permitted under Part II of Article XX.

It appeared to be the general view that the Agreement required a complete review which would necessarily involve an examination and a restatement of the exceptions provided for in the Agreement, including those under discussion at this meeting. In view of this his Delegation was of the opinion that the status quo should be maintained. The elimination of these provisions at present would cause difficulties for some countries. Moreover there had never been complaints about measures maintained under these provisions, and therefore there was no reason to suspect any misuse.

Mr. SAHLIN (Sweden) said the Swedish Delegation had always been of the opinion that subparagraphs (a) and (b) of Part II of Article XX were important and could still serve a useful purpose in the area of non-discrimination for products in short supply. Although it might be argued that their importance was no longer paramount in present conditions, circumstances might change. He considered that those rules contributed towards maintaining a balance between the various terms of the General Agreement, and saw no reason for altering that balance. He supported the proposal of the Norwegian Delegation for a further extension of the time limit.
Mr. VALLILA (Finland) supported the proposal by the Norwegian Delegation. The present circumstances were not yet normal and in Finland conditions still prevailed which would justify the extension for a further period to 30 June 1955. The extension should in his view correspond to the extension of the assured life of the schedules.

Mr. MACHADO (Brazil) welcomed the Norwegian proposal and was strongly in favour of linking an extension of the date in Article XX, Part II, to a general review of the Agreement. He would be in favour of 30 June 1955 both for the extension of the date in question and for the prolongation of the assured life of the schedules.

Mr. PRESS (New Zealand) said that his Government had had misgivings about the use that might be made of certain provisions contained in Part II of Article XX, but they had proved unfounded and, so far as he was aware, there had been no misuse. In view of the likelihood before long of a general review of the Agreement, he had no hesitation in supporting the Norwegian proposal.

Mr. ISBISTER (Canada) said the Norwegian proposal was reasonable and moderate. He was, however, somewhat puzzled by the thought of some delegations that there was a significant connection between the extension of this time limit and that of the schedules.

Mr. BROWN (United States) said that he supported the Norwegian proposal and would accept the time limit of 18 months.

In reply to a question by Mr. Machado (Brazil), the CHAIRMAN said that the extension would apply to all three sub-paragraphs, (a), (b) and (c) of Part II of Article XX.

Mr. GARCIA OLDINI (Chile) recalled that raw material producing countries had said, at the Fifth Session, all there was to say on this subject at Torquay. The arguments adduced in favour of an extension of the waiver at that time were still valid today. He therefore supported the Norwegian proposal and suggested that the Norwegian Delegation, in cooperation with the secretariat, should prepare a decision, thus rendering it unnecessary to set up a working party for this purpose.

Mr. ISIK (Turkey) felt the present circumstances fully justified the Norwegian proposal. Regarding the period of extension, he felt that the views of the Brazilian Delegation should be taken into account and that the new time limit should be linked to the proposed review of the Agreement.

Mr. CLARK (Australia) supported the Norwegian proposal, although he assumed that in any review of the Agreement a distinction would be drawn between the provisions of paragraphs (a) and (b) on the one hand and paragraph (c) on the other.
Mr. SANDERS (United Kingdom) agreed with the views of the Norwegian delegation and was in favour of an eighteen months extension.

Mr. EICHHORN (Germany) was in favour of the Norwegian proposal for the reasons put forward by the other delegations. He would have preferred an extension of twelve months, as proposed by his delegation in the matter of the assured life of the schedules, but he would request authority to vote in favour of a period of 18 months

Mr. PANSEGROUW (South Africa) supported the extension of the time limit for eighteen months.

The CHAIRMAN, in closing the discussion said that the majority of the contracting parties was in favour of an extension of the time limit for a period of eighteen months. He would therefore ask the Executive Secretary to prepare a draft resolution for consideration at a later meeting.

Mr. MACIADO (Brazil) reserved his position until the period of the prolongation of the assured life of the schedules should be determined.

Mr. THAGAARD (Norway) expressed his appreciation for the acceptance of his proposal. He said there was no direct connection between the extension of the time limit in Article XX and the binding of concessions for a further period. He expressed the hope that a review of the Agreement would take place before 30 June 1955, failing which the question of an extension would doubtless arise once more.

4. Nicaragua - El Salvador Free-Trade Area (L/118)

Mr. ROYER (Deputy Executive Secretary) said that the report was the second submitted by the Government of Nicaragua on the functioning of the Free-Trade Treaty with El Salvador. The Secretariat had examined the report and he wished to make some comments for the better understanding of its contents by the contracting parties. On 25 October 1951 the CONTRACTING PARTIES had authorized the Government of Nicaragua to claim the benefits of Article XXIV of the Agreement. The majority decision had however been qualified because the Treaty did not appear to be altogether in harmony with the spirit of the Agreement. In the first place, Nicaragua's partner, El Salvador, was not a contracting party and secondly there were two technical points arising out of Articles III and IV of the Treaty on which the CONTRACTING PARTIES reserved final judgment until the Treaty had been in operation. The parties had agreed to grant free entry to all the products appearing on a list annexed to the Treaty, but doubts remained as to whether the list of goods entitled to free entry would constitute "substantially all the trade" between the parties. The Government of Nicaragua in its report, at present before the CONTRACTING PARTIES, stated that the two Governments, who had a right under the Treaty, to add or delete items from this list by agreement between themselves, intended, far from withdrawing items, to advance further by adding other products to the
Secondly, the parties had reserved the right to impose quantitative restrictions on products entering in their trade with each other. A year ago the CONTRACTING PARTIES had been struck by the fact that imports of maize into El Salvador, which constituted in value one half of the total exports of Nicaragua to El Salvador, had been subjected to an import prohibition. The present report made it clear that this had been a temporary measure and that the import embargo imposed by El Salvador in September of 1952 had been removed in January of 1953.

It was not quite clear from the report, and perhaps the representative of Nicaragua might bring some clarification on the point, whether any quantitative restrictions were at present imposed on trade between the two countries. He thought that up to then the only case had been the one mentioned. The CONTRACTING PARTIES had asked the Government of Nicaragua to furnish data on the effects which the functioning of the Treaty might have on tariff policy and on quantitative restrictions with regard to the trade of other contracting parties. Although there was no mention of this matter in the report, it did not appear that there had been any increases in the "external" tariff. As for quantitative restrictions, the licensing system which existed in Nicaragua was mainly of a formal character; the only requirement stipulated by the Nicaraguan Government for the granting of a licence being the deposit with the Central Bank of an amount equivalent to the value of the goods to be imported. The report referred, also, to the possibility that the Free-Trade area might be extended to include Costa Rica; perhaps the representative of Nicaragua could give details on this point.

The secretariat had not reported to the CONTRACTING PARTIES on its examination of the situation because the Nicaraguan report showed that the Treaty was functioning normally and that, despite initial uncertainties, the Agreement was realising the hopes of those who had entered into it. He thought it would please the CONTRACTING PARTIES, and in particular Messrs. Garcia Oldini and Sahlin who had participated at Havana in the drafting of the Article which sanctioned this new form of economic association, to note that the first experience in this field had been successful.

Mr. PORTOCARRERO (Nicaragua) said that what had been for obvious reasons uncertain at the outset was now clear: both parties were satisfied that the Treaty had helped their mutual trade. They now looked forward confidently to continuous expansion. With reference to the Deputy Executive Secretary's remarks, he wished to confirm that the Treaty had not led to any increase in tariffs or other restrictive measures affecting the trade of either country with other contracting parties. He wished to say that Nicaragua had no exchange or import restrictions either in relation to the trade of El Salvador or of the other contracting parties. The same was true of El Salvador with respect to Nicaraguan goods at the present time.
As stated in his Government's report, both parties had reached the conclusion that the list of items included in Annex A to the Treaty should be extended rather than restricted; the joint committee would examine this matter at its next meeting within two months. With reference to the Treaty between El Salvador and Costa Rica mentioned in their report, he was informed that the objective was solely that of bringing the El Salvador – Costa Rica arrangement into conformity with the Nicaragua – El Salvador Treaty. As such it would have no bearing on the Treaty which was now before the CONTRACTING PARTIES. His Government placed a high value on the present and potential benefits which the Treaty brought them, and the CONTRACTING PARTIES, by giving their approval, had contributed greatly to Nicaragua's ability to develop her resources and stabilise her foreign trade.

Mr. AMY (El Salvador) associated himself with the optimistic statements by the representative of Nicaragua and said that those views were in conformity with his own.

Mr. BROWN (United States) expressed his gratification at hearing that the Treaty had worked satisfactorily for the two parties directly concerned as well as for the other contracting parties. He was particularly glad that this was so because the CONTRACTING PARTIES wanted to be sure that an expansion and not a contraction of trade was the result of such arrangements. It was also gratifying to hear that the use of quotas had been limited to only one case and only temporarily. He looked forward to the third annual report from the Government of Nicaragua, and was glad to note that an increase in the list of products in Annex A to the Treaty was envisaged.

The CHAIRMAN said that the CONTRACTING PARTIES would take note of the report of Nicaragua and of the statements made. He thanked the observer for El Salvador for attending the meeting.

5. Greek Schedule – Adjustment of Specific Duties under Article II:6 (L/113)

Mr. PAPATZONIS (Greece) said that the position arising out of the devaluation of the drachma was set out in his Government's memo (L/113). The provisions of the Agreement were designed to ensure that any adjustments made to meet the situation should not impair the value of the concessions in the schedule. To meet this requirement, his Government was submitting a list of adjustments already made, but the process was very far from being completed. In order to avoid an abrupt rise in the cost of living they had decided to proceed in stages. The adjustments submitted had been made because of budgetary reasons of a very urgent character. These adjustments were in accordance with the provisions of Article II:6 of the General Agreement. He did not think he need give a detailed statement of the case at the present moment, as a working party would be a more appropriate place, but his delegation would be pleased to provide clarification on any doubtful point.
Mr. PARBONI (Italy) said his delegation had noted that some of the items on which changes were envisaged had been negotiated with Italy. While he had no doubt that these increases were perfectly in order, he wished to go over them with the Greek Delegation. He supported the proposal of referring the matter to a working party.

Mr. BROWN (United States) also agreed that the question be referred to a working party. The problem of the Greek Government was clearly to adjust a large number of rates to take account of the devaluation of the currency. He thought it would probably be necessary to work out a formula, to deal with the present and future adjustments, which would be in conformity with the provisions of Article II:6.

Mr. ISBISTER (Canada) associated himself with the remarks of the United States delegate.

The CONTRACTING PARTIES agreed to refer this matter to a working party.

6. **Restification of Schedules** (Benelux L/129, Cuba L/98, Czechoslovakia L/100 and 136, Denmark L/114, India L/130, Southern Rhodesia L/35)

The CHAIRMAN proposed the appointment of a working party to which all matters relating to changes in the schedules, including the previous item relating to the adjustments in the Greek schedule, should be referred. He proposed that it be composed as follows:

Chairman: M. Dufourg (France)

Belgium  Czechoslovakia  Southern Rhodesia
Denmark  Greece  United Kingdom
Cuba  India  United States

and with the following terms of reference:

1. To consider requests by contracting parties for rectification of their Schedules.

2. To consider steps for formalizing the modification of Schedule IX resulting from Cuba's negotiation with the United States under the Decision of 8 November 1952.

3. To consider the request of Czechoslovakia for adjustment of the rates of duty in Schedule X.

4. To consider the request of Greece for an adjustment of specific rates of duty in Schedule XXV and to invite the representatives of the International Monetary Fund to be present when this question is discussed.
5. To consider any other matters relating to the Schedules which may be referred to it by the CONTRACTING PARTIES.

6. To draw up any necessary legal instrument for signature.

The meeting adjourned at 1 p.m.