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ON

THE REVIEW OF THE AGREEMENT

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On 7 March 1955 the Contracting Parties to the General Agreement on Tariffs and Trade* successfully completed a thorough review of the Agreement, which was initiated on 8 November 1954. In completing this task they are the first international agency to revise and re-affirm an agreement which was drawn up in the immediate postwar period to meet conditions that prevailed at that time.

The task which the Contracting Parties set themselves in the review of the General Agreement was a difficult one. Amendments to certain provisions of the Agreement can be made effective only through unanimous acceptance by the thirty-four contracting parties, while other amendments require acceptance by two-thirds of the contracting parties. In these circumstances, there was always the danger that changes that would strengthen the Agreement and increase the obligations of governments might be rejected, and that obligations that governments had found onerous would be watered down. The Contracting Parties have, however, successfully surmounted both these obstacles. If the amendments now receive the necessary acceptances by governments they will have achieved an Agreement which is more realistic in terms of today's economic problems and is both a stronger and a more flexible instrument.

The major accomplishments of this review have been:

1. The provisions for the establishment of a permanent Organization, to be known as the Organization for Trade Cooperation, and of an Executive Committee that can act promptly, in place of the present informal structure which is dependent for its operation upon annual conferences of the contracting parties.

* A list of the Contracting Parties and other governments which participated in the Review is given on the final page of this communiqué.

2. The re-affirmation of the basic objectives and obligations which constitute the code of fair trade practices, which has guided the contracting parties in their international commercial relations during the past seven years and a renewed undertaking to prolong the firm validity of the tariffs bound under the Agreement.

3. The strengthening of commitments in a number of fields, such as those of export subsidies and state trading.

4. The simplification and strengthening of many of the more complicated Articles of the Agreement, such as those dealing with the use of quantitative restrictions on trade for balance of payments reasons.

5. Greater flexibility in some provisions which had proved so rigid as to be unrealistic, as exemplified by new approaches to the special problems of economic development and improved machinery for controlling the use of quantitative restrictions for other reasons.

In general, the changes in the Agreement have been in the direction of a greater reliance on consultation between members of the Organization, and a somewhat lesser dependence on abstract rules designed to deal with all possible contingencies. Thus, in the new provisions dealing with export subsidies, the Organization is given the power to interpret and modify the commitments to meet special cases as they arise. The problems of the disposal of agricultural surpluses and of the disposal of strategic stockpiles are dealt with through recommendations to the contracting parties that they consult with each other before taking action that may adversely affect the trade interests of other contracting parties. And in the new and simplified rules for dealing with any trade restrictions for balance-of-payments reasons after the major currencies of the world have become convertible, the emphasis

has been on more frequent exchange of information and consultations between the contracting parties concerned and the Organization.

The Organization for Trade Cooperation

The Agreement which sets out the objectives and structure of the Organization for Trade Cooperation has been drawn up and opened for signature. It will come into force, and the new Organization will be established, when the Agreement has been ratified by contracting parties which account for 85 per cent of the total external trade of the territories of all contracting parties.

By providing for a permanent Secretariat and an Executive Committee, the Organization will be in a position to act promptly when problems arise and to deal on an equal footing with other international organizations operating in the economic field. The main function of the Organization will be the administration of the General Agreement. In addition, the Organization will have powers which will permit it to sponsor international trade negotiations and to serve as an intergovernmental forum for the discussion and solution of other questions relating to international trade.

Continued tariff stability

Through the firm binding of negotiated rates of duty, the General Agreement has provided stability to tariff levels for a large proportion of world trade. During the review, the contracting parties assured the continuance of this stability by agreeing to prolong to 31 December 1957 the firm validity of the tariff schedules bound in the Agreement. Allowance is made for any necessary renegotiations before the new period of firm validity comes into effect.

Economic Development

The amended Agreement includes a new and more positive approach to the special problems of underdeveloped countries and to the ways and means of reconciling the requirements of economic development with the obligations undertaken in the Agreement as to the conduct of commercial policy. The general concept of the new article is that economic development is consistent with the objectives of the General Agreement and that the raising of the general standard of living of the underdeveloped countries will facilitate the attainment of those objectives. Provision is made for the case where an underdeveloped country may, in spite of its interest in maintaining sound rules of conduct in world trade, find it necessary to give special protection to a new industry or one undergoing modernization. The new article also provides safeguards to protect the interests of other contracting parties and to ensure that measures otherwise inconsistent with the basic rules will be used only as a last resort and where no alternative measure would meet the case. The special position of less developed countries which depend on exports of a small number of primary commodities has been recognized. When these exports are seriously affected by measures taken by another contracting party, the country affected may resort to special consultation procedures.

Quantitative Restrictions

In the course of the review, provisions dealing with the use of quantitative restrictions on imports were simplified and strengthened. The basic principle that contracting parties which maintain quantitative restrictions for balance of payments reasons will dismantle them as soon as they are no longer needed was retained. Some of the more detailed provisions that were necessary in the immediate postwar period have been deleted, however, and

greater reliance has been placed on regular consultations between countries maintaining the restrictions and the contracting parties as a whole. The amendments provide that the new rules will come fully into effect on a date to be determined, which will be related to the time when convertibility is achieved for the major currencies of the world. At that time, contracting parties still maintaining quantitative restrictions will be required to justify them. But allowance has been made to meet the problem faced by governments which may not find it feasible to eliminate at once without severe economic dislocation quantitative restrictions that have been in force for a number of years.

Export Subsidies

Entirely new provisions have been added to the Agreement designed to reduce the harmful effects of export subsidies. In the field of primary products, exporting countries are prevented from using subsidies so as to obtain more than a fair share of world trade. In the case of non-primary products, the amended Agreement prohibits the imposition of new export subsidies and provides that after 1 January 1958, no export subsidy may be maintained without the approval of the Contracting Parties. In addition to the attention paid to limiting the harmful effects of export subsidies and dumping, the Contracting Parties have rewritten certain provisions of the Agreement so as to increase the ability of importing countries to protect themselves and each other from these practices through the imposition of anti-dumping and countervailing duties. As an indication of the importance with which this subject of export subsidies is regarded, the Contracting Parties decided to review periodically the subsidy provisions to see how far

the rules of the Agreement have been effective in preventing subsidization that is seriously prejudicial to the trade of contracting parties.

Disposal of Surpluses

During the review much attention was devoted to the injury that can be caused to other **exporting** countries by the disposal in world markets of agricultural surpluses or strategic stockpiles. The Contracting Parties have declared their intention of conducting special programmes for the disposal of agricultural products or strategic stocks in such a way as to avoid undue disturbances in world markets and their intention of consulting in advance with any interested contracting party if so requested.

Principles for Tariff Negotiations

While several series of negotiations for the reduction and binding of tariffs have taken place since 1947 under the aegis of the General Agreement, the Agreement did not previously contain any provisions concerning the principles for such negotiations or the conditions under which they should take place. A new article inserted in the Agreement is designed to establish the general framework for future negotiations. Among the principles which are thus given formal recognition is one which provides that negotiations should be directed "in particular to the reduction of such high tariffs as discourage the importation even of minimum quantities....". Running parallel to the new provisions concerning tariff negotiations are provisions designed to apply the same principles in so far as practicable to restrictions on trade that result from the operation of state monopolies.

Problems of Individual Countries

In addition to the major amendments mentioned above and many lesser amendments designed primarily to simplify the text of the present Agreement and remove ambiguities, the Contracting Parties devoted considerable attention to certain specific problems that had arisen for individual countries in relation to their obligations under the Agreement. Among these, one of the most important with which they dealt was the conflict between agricultural legislation in the United States and the provisions of the Agreement dealing with quantitative restrictions on imports. The Contracting Parties agreed to a formula which recognizes the mandatory nature of Section 22 of the United States Agricultural Adjustment Act, but at the same time preserves the right of a contracting party whose trade is damaged by import restrictions under that Act to have recourse to the procedures for obtaining compensation. The Contracting Parties will review annually the actions taken by the United States under this legislation, and the U.S. government has given assurances that before taking any new action it will consult with substantially interested countries and will terminate any restriction imposed under the legislation as soon as it is no longer required.

The Contracting Parties also extended to the United Kingdom the right to give special assistance for the development of industries in its colonial territories through actions which would otherwise have been inconsistent with the provisions of the Agreement. These rights will apply only in cases where the industry of the colonial territory would be benefited, but not industry or agriculture in the United Kingdom or any other country. The United Kingdom will report annually to the Contracting Parties on any such measures adopted.