

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

IC/SR.26

13 August 1956

Limited Distribution

Intersessional Committee

SUMMARY RECORD OF THE MEETING

Held at the Palais des Nations, Geneva,
on Thursday, 26 July 1956 at 10:30 a.m.

Chairman: Mr. Garcia OLDINI (Chile)

- Subjects discussed:
1. Changes in Australian Import Restrictions.
 2. Request by Australia for Authority to renegotiate certain Items in Schedule I.
 3. Distribution of Secret Documents.

1. Changes in Australian Import Restrictions (L/493 and Add.1)

The CHAIRMAN referred to document L/493 which contained the text of a statement made by the Australian Acting Prime Minister announcing certain changes in the import restrictions to be effective on 1 July. The statement had been transmitted by the Australian representative on 3 July in accordance with the intersessional procedure. Further details supplied by the Australian Government were contained in document L/493/Add.1. In his statement the Australian Acting Prime Minister had indicated that the new licensing arrangements should reduce the level of Australian imports by about £40 million in a full year. The Committee was invited to examine these changes in the light of the second part of the first sentence in paragraph 4(b) of Article XII.

Mr. CORKERY (Australia) said that the statement of the Acting Prime Minister gave the reasons which had led the Australian Government to make certain changes in its import restrictions. This development had followed from the state of the economy in Australia, where the high level of demand for imports had continued as a result of the continued high rate of development. The object was to introduce greater flexibility and selectivity into the import restrictions by making certain general changes in the categories of products subject to the import licensing procedure, as set out in L/493/Add.1. The changes were designed to save £40 million in a full year, though for the year 1956/57 the saving would probably be only half that amount in view of the time lag of about six months before the new restrictions became fully effective. The changes introduced reflected in some cases the decrease in demand for

certain items, the most important being for motor vehicles. For the year 1955/56, exports totalled £784 million, whereas imports were running at £823 million, not including the various invisible items of which freight and insurance alone amounted to £53 million for the half year ending 31 December 1955.

The Australian representative then pointed out that Australia had consulted in July 1955 on the modifications and changes in its import restrictions introduced on 1 April 1955 and again in November 1955 on the changes introduced on 1 October. On those occasions a full exchange of views had taken place; the Australian Government, taking a line consistent with that adopted by it at the Review Session - namely that Article XII did not need revision, but that the procedures under it should be more effectively applied - had cooperated fully and supplied the fullest possible information. Further the previous restrictions, on which consultations had taken place had been designed to reduce imports to a level of £650 million per annum, whereas the present changes were designed only to reduce annual imports by £40 million from the current level of over £700 million per annum. It should also be borne in mind that the revised Article XII might be in force in the not too distant future, providing for procedures different from the ones now applicable. While the Australian Government was prepared to consult the **CONTRACTING PARTIES** at any time when it was invited to do so, it would be extremely difficult for personnel reasons to provide for a consultation at this moment on as comprehensive a scale as that in November 1955. The situation would be reviewed in August/September when it would be possible to make a better estimate of wool receipts during the forthcoming season; the balance-of-payments position would then be clearer. At the Eleventh Session, Australia would be consulting under Article XIV:1(g). He hoped that the Committee would bear these various points in mind.

Baron BENTINCK (Netherlands) regretted that these new measures had been introduced in a comparatively short time after the previous intensification of restrictions. The situation was rendered more complex by the fact that wool prices had increased over the period. It was also difficult to determine whether the restrictions had been substantially intensified. He understood from the Australian representative that this was only true to a limited extent as the modifications were designed to make the previous measures more flexible. As it would be difficult for Australia to send representatives for consultation in the near future, he would suggest that the Committee should not examine the question of the applicability of Article XII:4(b), but should defer consideration of the question to the Eleventh Session. This procedure would have the advantage of avoiding at this time the difficult question of whether the changes constituted a substantial intensification of the restrictions. It would also then be possible for a more thorough and realistic examination to be made.

Mr. de ST. LEGIER (France) said that his Government sympathized with the Australian difficulties which were mainly due to reliance on the export of a few primary products. This situation might however be solved by an agreement

on primary commodities. He did not think that the new Australian measures were in accord with a sound economic policy or with the principle of non-discrimination. His Government were concerned that the measures would have a discriminatory effect on France's trade as they affected $3\frac{1}{2}$ per cent of French exports to Australia, reducing her total share to 1.9 to 2 per cent; considerable imbalance in France's trade with Australia had been responsible for France's deficits with the sterling area. He could therefore not agree that the new measures did not constitute a substantial intensification of restrictions, but thought that for practical reasons it would be preferable to examine the question at a later stage.

Dr. MONSCHEIN (Austria) said that in the view of the Austrian Government a substantial intensification of restrictions had taken place. Austria was seriously affected, as a considerable volume of her exports of textiles and paper went to Australia. A consultation should therefore be held and she would reserve her Government's position pending detailed examination of the documents submitted.

Messrs. WARDROP (United Kingdom), ROBINSON (United States), PADMANABHAN (India), GARRONE (Italy), PATRIOTA (Brazil) and AZIZ AHMAD (Pakistan) supported the suggestion of the Netherlands representative that the question of inviting Australia to consult should be deferred for consideration at the Eleventh Session.

In the light of the statement made by the representative of Australia and having regard to the fact that

- (a) the measures taken by Australia on 1 July were part of the series of measures designed to deal with that country's balance-of-payments difficulties concerning which Australia had twice consulted the CONTRACTING PARTIES in the past year and
- (b) that in practice it would in any case not be possible to arrange consultation within the period of thirty days,

the Committee decided not to consider at this time the applicability of the mandatory provision of Article XII:4(b) but to recommend to the CONTRACTING PARTIES that the question of inviting Australia to consult with them on these measures be examined at the Eleventh Session.

Mr. CORKERY (Australia) said that his delegation was grateful for the sympathy shown by the Committee and that his Government would make the necessary arrangements to consult under Article XII:4(b) at the Eleventh Session if invited to do so. With regard to the French representative's statement that the new measures were discriminatory, he pointed out that a distinction should be made between discrimination between countries and

differential treatment of different classes of products. Where the importation of some goods was more seriously restricted than that of others but the source of supply was left open, it would be inappropriate to consider the restrictions to be discriminatory.

2. Request by Australia for Authority to renegotiate certain Items in Schedule I (SECRET/69)

The CHAIRMAN recalled that under the Declaration of 10 March 1955 most contracting parties had undertaken not to invoke the provisions of Article XXVIII for the modification of concessions prior to 1 January 1958, but under paragraph 2(a) of the Declaration a signatory might plead "special circumstances" (in the sense of Article XXVIII:4 (Revised)) in seeking authority to renegotiate particular items in its schedule. The Intersessional Committee had the power to grant this authority if it considered that the circumstances justified such action. This meeting had been convened to consider a request by Australia relating to two items in the Australian schedule the details of which were set out in SECRET/69.

(a) Taximeters - item ex 169 (A) (3) (Part I of Schedule I)

Mr. CORKERY (Australia) said that his Government's request was based on a recommendation by the Tariff Board. Item 169 (A) (3) - adding and computing machines - had originally been negotiated with the United States in Geneva in 1947 and his Government were now seeking authority to withdraw the concession on that part of the item relating to taximeters, which had not been specifically taken into account in the negotiations. It was difficult to provide statistics for this part of the item, though he could give figures for the whole item. It appeared, however, that imports of taximeters into Australia were comparatively limited. The Tariff Board had found that this new industry was efficient and had good prospects of expansion and therefore his Government felt that these were special circumstances which would warrant the grant of the authority requested.

Mr. ROBINSON (United States) said that his Government was prepared to support a finding of special circumstances and to engage in negotiations either in Washington or Canberra.

Mr. PATRIOTA (Brazil) also considered that the request should be granted.

The Committee agreed that special circumstances existed in the sense of Article XXVIII:4(Revised) and decided to grant authority to the Government of Australia to renegotiate taximeters - item ex 169 (A) (3) - in Part I of its schedule.

The CHAIRMAN then enquired whether any contracting parties represented at the meeting considered that they had a "principal supplying interest" or a "substantial interest" in this part of item 169.

Mr. GERIGK (Federal Republic of Germany) said that his country appeared to have a substantial or perhaps even a principal supplying interest in this product. He had been advised by the leading exporter of taximeters to Australia that exports in 1953 amounted to approximately \$18,800, in 1954 to \$19,000, in 1955 to \$33,300 and in the first half of 1956 to \$16,700. According to his information no country seemed to supply more of this article. If in addition to the import licensing system, the rate of duty were to be raised, German exports would be seriously affected. In these circumstances his Government would regret a change in the rate of duty.

Mr. CORKERY (Australia) said that he would send the German statistics to Canberra so that in the light of these it could be decided in discussion with the Federal Republic whether it would be necessary to enter into negotiations. A further examination would be held in which full account would be taken of the export statistics furnished by other contracting parties.

The CHAIRMAN instructed the Executive Secretary to inform contracting parties not represented at the meeting of the decision taken and that any claim of "principal supplying interest" or "substantial interest" should be addressed without delay to Australia. If Australia recognized the claim this would be deemed a determination by the Committee, and if no agreement could be reached the matter could be referred to the Committee.

(b) Socks and stockings - item ex 115 (Part II of Schedule I)

Mr. CORKERY (Australia) said that this request also was based on a recommendation by the Tariff Board. The last examination of these items had been carried out in 1934 and since that time there had been changes in production methods, consumption patterns and in the materials used in the production of socks and stockings classified under items 115 (A) (1) and (2) and (B). In the view of his Government the special circumstances were the changes in the industry, the fact that the present rates were based on a review of twenty years ago and that the general level of the proposed duties would be no higher than those in force at present. From the statistics of trade it was clear that the United Kingdom, with which these concessions had been negotiated, was virtually the only country interested in these items.

Mr. Corkery said that there was a correction to be made in SECRET/69 namely that it was his Government's intention to divide the item on the basis of cotton and rayon instead of cotton and/or artificial silk as previously notified.

Mr. WARDROP (United Kingdom) said that his Government was prepared to renegotiate these items with Australia and that the negotiations could take place either in Canberra or in London.

The Committee agreed that there were special circumstances in the sense of Article XXVIII (Revised) and decided to grant authority to Australia to renegotiate sections (A) and (B) of item 115 in Part II of the Australian Schedule.

The CHAIRMAN enquired whether any representatives considered that they had a "principal supplying interest" or a "substantial interest" in these items.

Mr. PADMANABHAN (India) said that he wished to reserve the position of his Government on the question of whether India wished to claim an interest.

The CHAIRMAN instructed the Executive Secretary to inform contracting parties not represented at the meeting of the decision taken and that any claim of "principal supplying interest" or "substantial interest" should be addressed without delay to Australia. If Australia recognized the claim this would be deemed a determination by the Committee and if no agreement could be reached the matter could be referred to the Committee.

3. Distribution of SECRET Documents

Mr. PADMANABHAN (India) said that permanent delegates in Geneva had received a note from the GATT secretariat informing them that GATT/AIR/93 (SECRET) had been transmitted to their Governments and that they could examine this document in the office of the secretariat. This was because only one copy of a SECRET document was issued to each contracting party. As this involved considerable inconvenience, he would ask the Committee to consider whether the circulation procedure for SECRET documents could not be made more liberal so that a second copy would be sent to the permanent delegates and to the liaison officers. He understood that other permanent delegates agreed with this suggestion.

The DEPUTY EXECUTIVE SECRETARY said that the CONTRACTING PARTIES had decided that only one copy of each SECRET document should be sent to each contracting party in order to reduce the risk of leakage. He appreciated the difficulties involved for the permanent delegates in Geneva and for the liaison officers who might be consulted by their Governments concerning documents which they had not seen. A list of the individuals and government departments to whom SECRET documents should be sent had been compiled and, in the absence of a precise request to the contrary, the secretariat had sent GATT/AIR/93 (SECRET) to the department or person indicated, while advising the permanent delegate that it could be consulted in the office of the secretariat. The secretariat was merely the guardian of the documents for

governments, and it was for governments to decide how far they wished to relax this rule. If the Committee were prepared to agree, a copy could be sent to the permanent delegate and to the liaison officer, in addition to the copy sent to the government, but this instruction would have to be confirmed by the CONTRACTING PARTIES.

Mr. AZIZ AHMAD (Pakistan) said that he was in the same position as the Indian delegate, but felt that permanent delegates and liaison officers should settle this matter direct with their governments, who should appoint them to receive SECRET documents.

The representatives of Cuba and India supported the proposal of the Deputy Executive Secretary.

It was agreed that in future, and subject to confirmation by the CONTRACTING PARTIES, a copy of SECRET documents would be sent to permanent delegates in Geneva and to liaison officers.

The meeting adjourned at 12.55 p.m.