

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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## SUMMARY RECORD OF THE SEVENTH MEETING

Held at the Palais des Nations, Geneva  
on Tuesday, 14 October 1952 at 3 pm.

Chairman: Mr. Johan MELANDER (Norway)

- Subjects discussed:
1. Japanese Accession
  2. Other Business -  
Pakistan Export Duty on Jute
  3. ICCICA Chairman
  4. Figs - United States Duty Increase ✓
  5. Appointment of Panel on Complaints

### 1. Japanese Accession - draft decision (L/46)

The draft decision on the Japanese application was adopted.

Mr. SVEC (Czechoslovakia) abstained from voting for the reasons he had stated at the Sixth Meeting.

The CHAIRMAN remarked that the decision concerned only procedure and was in no way a decision on the substance of the question of Japanese accession.

### 2. Request of India to include on the Agenda the Question of Pakistan's Duty on Exports of Jute (L/41 and Add.1)

The CHAIRMAN said that only the procedural question was before the CONTRACTING PARTIES at this stage, of whether to place the item on the agenda of the Session.

Mr. SINGH (India) explained that it had not been possible to give earlier notice of this item for inclusion in the agenda. After the discriminatory jute levies on exports of raw jute to India came into effect on 1 July 1952, his Government tried to obtain details of these measures through the Indian High Commissioner at Karachi, but this information could not be obtained and the High Commissioner was informed that the matter was being treated as confidential. Details of these measures were noticed in Foreign Commerce Weekly, a Washington publication, and in the GATT International Trade News Bulletin. During the bilateral trade talks between India and Pakistan in July last, his Government had raised this question of discriminatory jute levies on exports to India, but India's efforts to reach a satisfactory solution had proved unsuccessful. On 13 August the Pakistan Commerce Minister in his press statement had indicated that these measures

were intended to give a price advantage to importing countries other than India. This was a very clear admission of the discriminatory nature of these jute levies. In the circumstances, the Government of India had notified the secretariat at the end of August, that they might have one or two items for inclusion in the agenda under "Other Business". It was only when it became clear that there was little or no prospect of the Pakistan Government revising its discriminatory jute policy that his Government had decided to bring up this matter before the CONTRACTING PARTIES. Accordingly, a letter was sent to the Executive Secretary on 30 September, to say that India wanted to include this item in the agenda. Subsequently, two notes were circulated to the CONTRACTING PARTIES on 3 and 7 October giving the facts of the case and requesting a decision under Article XXIII of the General Agreement, as, in his Government's view, these measures were a clear violation of Article I of the General Agreement. His Government, having raised the question of discrimination in the July trade talks, could not do anything further to effect a satisfactory adjustment of the case. His Government had expected the Pakistan Government to make some proposals for a solution of this dispute, and it was thus with considerable reluctance that it had decided to refer the case to the CONTRACTING PARTIES under Article XXIII of the Agreement. Mr. Singh said that the issues were simple and the matter was important and urgent for India. Furthermore, there were precedents for the inclusion of an item in the agenda even if the requirements of Rule 2 of the Procedures were not fully satisfied. Mr. Singh added that he did not wish to enter into details of the facts of the case at this stage, but merely intended to put forward certain essential facts in order to assist the CONTRACTING PARTIES in reaching a decision on the procedural question at issue.

The CHAIRMAN, replying to a point of order raised by Mr. Aziz Ahmad (Pakistan) requested Mr. Singh to touch upon the substance of the matter only so far as necessary to demonstrate the urgency of the case.

Mr. SINGH (India) said that the jute industry was of vital importance to India which was satisfying nearly 60% of the world's demand for jute manufactures. In 1952, India had 62% of the world's jute loomage. The Indian jute industry was dependent on a regular supply of raw materials and raw jute was the most important item in India's imports from Pakistan. The discriminatory jute levies now imposed by the Pakistan Government had created a very serious situation for the jute industry of India. It was to be noted that exports of jute manufactures were a very important part of India's export drive and a very important earner of foreign exchange. In order to meet the world demand for cheaper jute manufactures, the India jute industry was engaged in an effort to produce cheaper jute goods and to that end India's export duties on hessian had been drastically reduced from Rs. 1,500 to Rs. 250; but the Pakistan jute levies on exports of raw jute to India were bound to make raw jute costlier to India than to other countries, with the result that this would impede the expansion of international trade in jute manufactures. This also was contrary to the general objectives of the GATT.

This matter was of particular urgency because of the seasonal factor involved. All the raw jute from Pakistan to India was moved over inland waterways. The movement of jute started from the first of August and the

movement was brisk for the first four months of the year because thereafter the water level in the rivers fell and transportation was consequently slowed down. A delay in the decision in this case would, therefore, have serious repercussions on the Indian jute industry.

Mr. AZIZ AHMAD (Pakistan) said that they had first heard of the Indian complaints on 4 October and had received the detailed paper circulated by the secretariat (L/41/Add.1) on 8 October leaving no time for his delegation to get instructions. He referred to various pre-occupations of the Ministers as well as of the officials of his Government and stated that it would be impossible for his delegation to get instructions to enable them to discuss the substance of these complaints during the current Session. He pointed out that the Government of India had neither complied with the rules of procedure governing the adoption of items on the agenda nor with the provisions of Article XXIII which they were seeking to invoke. The provision of this Article clearly laid down that there should be consultations between the two parties concerned and if no satisfactory solution could be reached within a reasonable time, only then could the matter be brought before the CONTRACTING PARTIES. According to the note circulated by the Indian Delegation it was only on 3 October 1952 that the Government of India had made written representation to the Government of Pakistan. It was obvious, therefore, that a reasonable time had not been given to the Government of Pakistan to consider these matters as laid down in Article XXIII.

As to the Indian statement that the question of impairment of benefits accruing to them under the Agreement had been discussed at the bilateral trade talks held in Delhi last July, Mr. Aziz Ahmad had no information from his Government. One of the members of his delegation, who was also a member of the Pakistan Trade Delegation which went to India last July, had, however, informed him that this was not so. As to the urgency of these issues Mr. Aziz Ahmad pointed out that according to the Indian statement they had been aware of the measures complained of since 28 June 1952 and 1 July 1952 respectively. Surely, therefore, the Government of India had had ample time to comply with the specific provision of Article XXIII regarding bilateral representations and also with the rules of procedure of the CONTRACTING PARTIES.

Regarding the Indian statement that these measures vitally and urgently affected their economy Mr. Aziz Ahmad drew attention to the fact that according to India's own claim they only imported 20 per cent of their total requirements of jute from Pakistan; the rest they claimed to grow themselves. Moreover, it was difficult to reconcile the Indian statement with the fact that in September 1949 when Pakistan decided not to devalue her currency India refrained from purchasing Pakistan jute for a long time. Mr. Aziz Ahmad further submitted that policies relating to jute were of vital economic importance to Pakistan and asked that Pakistan's rights under the rules of procedure and under Article XXIII of GATT should be duly safeguarded. He concluded by emphasising that at this stage the matter was not ready for presentation to the CONTRACTING PARTIES.

Mr. SINGH (India) said that his instructions were very definite that this question of discriminatory jute levies had been raised by his Government during the bilateral trade talks with the Pakistan Government in July last. It was obviously not necessary during those talks to raise this question in terms of Article XXIII of the Agreement. The basic fact is discrimination which constitutes a violation of Article I of the Agreement and the matter was discussed from this standpoint.

Mr. AZIZ AHMAD (Pakistan) repeated that to the knowledge of his delegation the matter had not been raised during the trade talks, and requested the Indian delegate to produce some written record of the meeting. The Pakistan delegation had no objections to discussing the matter, but were anxious that the procedure for consultation laid down in Article XXIII be complied with.

The CHAIRMAN suggested that the question be postponed until the delegation of India produced documentary evidence indicating that the case had been raised in July. It was not possible at the present time for the CONTRACTING PARTIES to decide whether the procedures of Article XXIII had been complied with or not, and only after a decision on this point could they decide to inscribe the matter on the agenda.

In reply to a question of Mr. Singh, Mr. AZIZ AHMAD explained that his delegation maintained that at the trade talks in July the Indian delegation had not raised with the Government of Pakistan the question of the impairment of benefits accruing to India under the Agreement as a result of the Pakistan duty on jute exports.

The CHAIRMAN said that under Article XXIII:1 there was no obligation upon India to raise the question of the impairment of benefits. It would be sufficient if they had merely raised the matter of discriminatory charges. The CONTRACTING PARTIES would await receipt from the Indian delegation of the minutes of the meeting, or some other documentary evidence.

3. Interim Coordinating Committee for International Commodity Arrangements - Appointment of a Chairman

Mr. VALLADAO (Brazil) proposed that discussion on this item be postponed and that the secretariat be asked to prepare a document giving a full description of the history, structure, and functions of the ICCICA.

The CHAIRMAN asked the Executive Secretary to prepare such a memorandum.

4. Increase in the United States Duty on Dried Figs (L/14, L/40 and L/44)

Mr. ISIK (Turkey) requested that discussion of this item be postponed pending the outcome of discussions between the Turkish and United States delegations.

Mr. PAPANONIS (Greece) said that Turkey's discussions were not necessarily relevant to the Greek complaint and his delegation wished the matter discussed now.

The CHAIRMAN said that the item had been placed on the agenda by Greece and should be discussed if they so wished.

Mr. PAPANONIS (Greece) said that the question of the duty increase had been placed on the Agenda because of the action by the United States Government under Article XIX and in connection with the bilateral talks initiated by the Greek Government. His Government recognized that the United States, in taking this action, had scrupulously observed the procedural provisions of the Agreement. Nevertheless, in many cases and certainly in the case of dried figs, observance of the letter of the Agreement was insufficient to avoid irreparable damage which no retaliatory measure could wholly redress.

The concessions which the United States had accorded to Greece at Annecy were in exchange for concessions far beyond the financial means of his country. The United States had been almost the only market for Greek exports and it was difficult to envisage any new concession which could compensate for the losses suffered by the producers and exporters of figs. Mr. Papanonis referred to the details set forth in the Greek note (L/40). He felt confident that the United States would take into consideration during the bilateral talks the grave consequences of this measure, but if the talks did not yield satisfactory results, his delegation would refer the matter to the CONTRACTING PARTIES.

Mr. DI NOLA (Italy) supported the Greek statement. His country also had an interest in the export of dried figs and had so advised the United States Government. He hoped that the consultations being undertaken by the Governments of Greece and Turkey with the United States would result in a reconsideration of the measures.

Mr. ISIK (Turkey) said that the question was of particular importance to Turkey. He stated that concessions had been granted by the United States on the duty on dried figs in 1939 by means of a trade agreement, in 1948 at Annecy to Greece and in 1950 at Torquay to Turkey. A study of the volume of imports into the United States showed no abnormal increase either over the volume before the war or in relation to domestic production. Only by comparing the imports during the last three years with those of 1946 - 1948 was an increase to be observed. However, during 1946 - 1948 imports were at a low level compared with pre-war years as a result of the War, and it was therefore fair to conclude that only after 1948 had the normal import level been reached. Furthermore, it should not be overlooked that the outbreak of war in Korea in 1950 caused a sharp increase in imports of foodstuffs in all countries and especially in the United States. Consequently, it appeared impossible to draw reasonable conclusions regarding the tendency of imports of dried figs into the United States based only on comparisons of the period 1946 - 1948 with 1949 - 1951.

Mr. Isik pointed out that the concession granted by the United States had become effective on 17 October 1951. In order to invoke Article XIX it was necessary to show that the increase had taken place as a result of the concession. The import statistics of the United States showed, however, that there had been a decrease in imports since the concession entered into

effect and consequently it could not be said that the increase of imports during 1949 - 1951 as compared with imports during 1946 - 1948 was the effect of the granting of the concession. Article XIX stipulated that there would have to be an abnormal increase in imports as a result "of the effect of the obligations incurred by a contracting party under this Agreement including tariff concessions". This was not the case.

Turkey exported a limited number of products and was therefore particularly susceptible to damage to vital parts of its economy as a result of restrictive measures taken elsewhere. This question, however, concerned not only the countries directly affected, but all contracting parties. It raised the question of the interpretation of Article XIX. The measures just taken by the United States showed that divergencies of view on the interpretation of the Article continued to exist. If the Article could be invoked in other circumstances than those expressly set forth in the text, the concessions bound in the Agreement could not but lose much of their value and the stability of the whole Agreement would be threatened.

The measure had been put into effect despite representations by the Turkish Government regarding the possible repercussions in Turkey. Nonetheless, his Government hoped that a joint examination of the question might enable the United States to withdraw the decision - the only possible solution in the view of Turkey. The United States had indicated that this was not possible at the present time and the consultations had consequently resulted in no definite solution. His delegation thought, however, that some provisional settlement might be reached within a few days. If this did not occur, he reserved the right of his delegation to request the CONTRACTING PARTIES to take up the question during the present Session with a view to recommending that the United States withdraw the measure.

Dr. HELMI (Indonesia) drew attention to the indication in the United States notification (L/14) that the situation was probably a temporary one and that the measure would be reviewed before the 1953 marketing season. Article XIX stated that action of this kind could be taken only under conditions or threat of serious injury to domestic producers. The note submitted by Greece (L/40) indicated that the increase in imports amounted to 4.2% of total United States production and it was difficult to see how this could be termed "serious injury". Greece, on the other hand, suffered from a large deficit in her trade balance with the United States and figs were one of her most important export items to that country. In view of the vital importance of this item to Turkey and Greece, Dr. Helmi was sure the United States would reconsider the measure and he hoped to hear of the restoration of the concession in the near future.

Mr. VERNON (United States) expressed the sympathy of his Government with the situation of Greece and Turkey. The United States felt that its invocation of Article XIX had been correct. But they also took the view that any country which invoked that Article undertook a serious responsibility to the CONTRACTING PARTIES. They were under an obligation to consult with a view to restoring the balance destroyed by the withdrawal of the concession and they were prepared to do this.

Mr. Vernon referred to the document concerning the United States modification (L/14) and the statement in the President's proclamation that "there was some indication that the necessity of this step is due to abnormal crop and seasonal factors and that the situation is of temporary nature". The proclamation went on to say that "the Department of State should keep the foreign situation under surveillance and, should developments justify, request the Tariff Commission to review the facts next year in time to make any appropriate recommendations before the beginning of the 1953 marketing season." In addition to its responsibilities to the CONTRACTING PARTIES, therefore, his Government was also charged by the President to continue to explore means of restoring the concession. His delegation was prepared to discuss this matter either in a working party or on a bilateral basis as desired by the CONTRACTING PARTIES.

Mr. PAPTSONIS (Greece) thanked the United States delegate for his statement and said that he was prepared to discuss the matter bilaterally.

Mr. ISIK (Turkey) was pleased at the confirmation that the United States Government was prepared to reconsider the measure and hoped that the concession would be restored at the soonest possible date.

The CHAIRMAN said that the matter would be left for the moment to bilateral discussion between the parties concerned. It was, of course, open to any one of them to raise the matter again during the Session and to propose the establishment of a working party.

##### 5. Appointment of Panel on Complaints

The CHAIRMAN recalled that it had been agreed at the fifth meeting to establish a panel to hear the various complaints that might be referred to it by the CONTRACTING PARTIES during the present Session. He now suggested that this Panel be composed of

Australia	Cuba
Canada	Finland
Ceylon	Netherlands

with Mr. Isbister of Canada as Chairman, and with the following terms of reference:

To consider, in consultation with representatives of the countries directly concerned and of other interested countries, complaints referred to the CONTRACTING PARTIES under Article XXIII, and such other complaints as the CONTRACTING PARTIES may expressly refer to the Panel, and to submit findings and recommendations to the CONTRACTING PARTIES.

Mr. SINGH (India) asked if the Indian complaint regarding the Pakistan export duty on jute could be referred to the Panel. The CHAIRMAN replied that that would probably be done if the question were placed on the agenda and if there were time for it to be discussed at the present Session. S

far, the only case referred to the Panel was the Norwegian complaint regarding German treatment of sardines. He suggested that the Chairman of the Panel keep in contact with the various delegations interested in these cases, and emphasized that the Panel was competent to deal only with specific complaints raised at this Session and referred to it by the CONTRACTING PARTIES.

The meeting adjourned at 6.15 p.m.