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GENERAL AGREEMENT ON TARIFFS AND TRADE

Intersessional Committee

SUMMARY RECORD OF THE MEETINGS

Held at the Palais des Nations, Geneva
on Monday 25 February 1952 at 11 a.m. and 3 p.m.
and Tuesday 26 February 1952 at 12 noon and 2.30 p.m.

Chairman: Mr. Johan MELANDER (Norway)

Subjects discussed:
1. Date and Place of the Seventh Session; Appointment of Intersessional Working Party on the United States Restrictions on the Importation of Dairy Products; Extension of Waiver for the continued Application by Italy of special customs treatment to certain Products of Libya.
2. Request by Germany concerning Special Exchange Agreement.
3. New measures of import restrictions (United Kingdom, Southern Rhodesia, France and South Africa).
4. Belgian restrictions on imports from dollar area.

1. Date and Place of the Seventh Session (GATT/IC/5); Appointment of Intersessional Working Party on the United States Restrictions on the Importation of Dairy Products; Extension of Waiver for the continued Application by Italy of special customs treatment to certain Products of Libya.

The CHAIRMAN recalled that the Contracting Parties had tentatively fixed 5 June 1952 as the opening date of the Seventh Session, the date being provisional in that a final decision on the date depended on when the International Monetary Fund would make available to the Contracting Parties the results of its consultations on exchange restrictions with those governments which were required to consult with the Contracting Parties under Article XIV:1 (g). The present meeting had been arranged partly for the purpose of taking the final decision in the light of the latest information from the Fund on the progress of its consultations.

Mr. PERRY (International Monetary Fund), at the invitation of the Chairman, stated that the Executive Board of the Fund, anticipating the wish of the Contracting Parties to have a progress report from the Fund, had recently reviewed its programme. On the basis of present knowledge of the number of countries likely to be involved, it would be difficult for the Fund to assure that the consultations conducted by the Fund and the preparation of other

material, which were awaited by the Contracting Parties in connection with their consultations under Article XIV:1 (g) of the General Agreement and Article XI of the special exchange agreements, could be completed much earlier than the end of August, even though this might not be the case with respect to some of the countries. The Fund would also like to draw the attention of the Committee to the fact that the annual meeting of its Board of Governors would be held around the middle of September.

The CHAIRMAN thought that, as it was clearly impossible for the Contracting Parties to consult with the Fund before the latter part of September, the Seventh Session should be scheduled to take place towards the end of September or in October. However, other items on the Agenda, including the pending "complaint cases" and the Schuman Plan question might require earlier consideration which could justify a session in the summer. The French Government was understood to have invited the Contracting Parties to meet in Cannes in June and was preparing a paper for circulation to give details of the offer.

Mr. LECUYER (France) agreed with the Chairman that, in view of the information supplied by the Fund, the session, whose main task would be the conduct of the consultations, would have to be deferred until September or October. But other questions of great importance might require earlier consideration by the Contracting Parties: the Schuman Plan, upon acquiring the necessary ratifications, would need to be acted on by the Contracting Parties without delay; the United States import restrictions would have to be reviewed by the Contracting Parties as soon as the situation became clear, probably by the end of the present session of Congress. These and other problems of a similar nature indicated that an additional session should be held late this spring or in early summer. The French Government intended to invite the Contracting Parties, if they wished to meet in June this year, to hold their meeting in Cannes, and the precise terms of the offer were being circulated.

Mr. COUILLARD (Canada) supported the view that the meeting of the Contracting Parties, at which the consultations under Article XIV:1 (g) would be conducted, should be deferred until October so as to provide ample time for the Fund to complete its own consultations and preparations. The other items on the Agenda, which were of varying importance to various countries, could, in the view of his delegation, also be left for consideration at that session. The Canadian delegation, while having no objection to an earlier session in circumstances where questions of urgency required immediate consideration, was of the view that none of the items was intrinsically so urgent as to justify an additional session. The prestige of the General Agreement would hardly suffer if there should be a long interval between the sessions. Furthermore, the Contracting Parties should as far as possible hold their meetings at the location of their headquarters and avoid inviting unwarranted criticism by indulging in excursions to seaside resorts.

Mr. AZIZ AHMAD (Pakistan) gave full support to the views of the Canadian representative. Frequent sessions, because of the expenditure involved, the demand on personnel and transport difficulties, were a nuisance to national governments, especially to those situated far from Europe. The outline of the Agenda did not seem to contain any items of such an urgent nature as to

justify an extra session. If and when urgent problems arose, a special session could be convened.

Dr. BOTHA (South Africa), supporting this view, also emphasized difficulties and inconveniences confronting countries outside Europe when required to send representatives on frequent occasions. In view of the facilities available at Geneva, his delegation was in favour of meetings held at the headquarters.

Mr. SVEINBJØRNSSON (Denmark), whilst agreeing with the importance of not having too frequent meetings, doubted whether an earlier session could justifiably be avoided. A decision to defer the next session until September or October might give the impression that there were no urgent items calling for the attention of the Contracting Parties. When the question of the United States' restrictions on dairy products was discussed at the Sixth Session, it was generally agreed that some modification of the present measures should be made by the United States Government, and the result of its efforts to eliminate the restrictions were expected sometime this spring, and not as late as September or October. If the session were postponed until then, it should be made clear that the Contracting Parties were not uninterested in seeing a favourable disposition of this question by the United States Government as soon as possible. He said it might help the discussion if the United States representative could give some information on the progress that had been made.

Mr. MOORE (United States) stated that although the Administration had been and was doing all within its power to obtain the repeal of Section 104 of the Defense Production Act, the point might not be clarified earlier than the end of the present session of Congress. Further, this being an election year, Congress might adjourn by the end of June, by which time the repeal of the Section in question might not have been achieved. However, the United States Government considered that there was no need for further action by the Contracting Parties on this matter, since it had been agreed at the last Session that retaliatory action could be taken in recourse to Article XXIII by the contracting parties suffering serious damage and nullification and impairment. The United States delegation would therefore support the proposal to hold the Session in the autumn, although it would have no objection to participating in any earlier discussion of the question of dairy products if so requested by the Intersessional Committee.

Dr. van BLANKENSTEIN (Netherlands) said that the Netherlands Government was in no greater favour of holding unnecessary meetings than any other contracting party, but it considered that some of the items pending consideration were so important as to make an earlier session necessary. The United States representative's contention that it had been agreed at the Sixth Session that a contracting party could take retaliatory action by virtue of the Resolution of October 26, 1951, without further sanction by the Contracting Parties did not seem to agree with the facts; nowhere in the Resolution was there to be found authorization such as was envisaged in the fourth sentence of Article XXIII:2. In the event of unfavourable developments, the Contracting Parties might have to meet much earlier than September, to consider, in accordance with that paragraph, any requests for authorization to suspend the application to the United States of appropriate obligations or concessions under the Agreement.

The CHAIRMAN agreed with the interpretation of the Netherlands representative, that no contracting party was entitled to take retaliatory action towards the United States until an authorization had been obtained from the Contracting Parties in terms of Article XXIII:2; the purpose of requiring such an authorization was to prevent contracting parties from taking unnecessary and excessive measures in retaliation. It was clear from the provisions of the Agreement that if the United States Government should fail to secure the repeal of the legislation in question and to re-open its market to European exporters of dairy products, the European contracting parties concerned would have to present their case to the Contracting Parties and to request an authorization for retaliatory action, which authorization could only be granted by the Contracting Parties in Session.

Mr. NIMMO (Australia) pointed out that the discussions at the meeting and the concensus of opinion which had been formulated in favour of a meeting in September or October had been based on the information supplied by the Fund representative that preparations by the Fund for the consultations under Article XIV:1 (g) could not be completed before mid-August. In view of the desirability of having an earlier session, the Fund might be requested to reconsider whether its preparations might not be speeded up so as to enable the consultations by the Contracting Parties to be conducted earlier than September.

Mr. COUILLARD (Canada) drew attention to the fact that the meeting had not been called upon to settle questions of interpretation of the provisions of the Agreement; the views that had been expressed by the Chairman and the representative of the Netherlands should therefore be regarded as no more than their personal opinions, without implying any judgment or ruling of the Committee as a whole.

Mr. LECUYER (France) said that a decision by the Committee to hold the next session as late as September or October would be a cause for regret by his Government; the French Government always attached great importance to the functions of the Contracting Parties as provided for in Articles XXIII and XXV of the Agreement, which had indeed been appropriately emphasized in the recent Secretariat report "GATT in Action". In addition to the much discussed question of United States restrictions, questions such as the hatters' furs, wines, the British purchase tax and the Belgian "allocation familiale", were all of great importance to the future of the General Agreement. It was not wise to delay unduly their consideration by the Contracting Parties. The French offer regarding Cannes, it should be pointed out, had been made only in response to the Secretariat request for proposals regarding the venue for the next session, and because Cannes was a place which offered facilities highly suitable for the purpose.

Mr. DHARMA VIRA (India) believed that whilst it was true that the Contracting Parties should not aim at holding more meetings than necessary, a full year was too long a period to intervene between sessions. The Indian Government would therefore not object to attending an additional session early in the summer.

Mr. LECKIE (United Kingdom), referring to the suggestion of the representative of Australia that the Fund should be asked to reconsider whether its preparations for the consultations could be advanced and completed at an earlier date, was of the opinion that the Contracting Parties would be ill-advised to ask the Fund to make undue haste in its preparations in view of the amount of work involved. In the circumstances the United Kingdom delegation was in favour of a single meeting being held in October, which would be sufficient considering that the Intersessional Committee could always set up a working party to deal with any urgent matter that should arise in the interval, and that it would be open to a working party to recommend that a special session should be convened to receive its report. As for the United States restrictions, any such special session could not take place earlier than July, but it would be a short meeting if the matter had been studied in advance by a working party.

Mr. PERRY (International Monetary Fund) said that the Executive Board of the Fund had given careful consideration to the timing of its own consultations and the preparation of reports for the Contracting Parties. As there were 43 governments acting under Article XIV of the Fund Agreement which would consult with the Fund, the Executive Board found it difficult to assure that the additional work of preparation for the consultations under the General Agreement would be finished before August. The Fund was naturally anxious to submit its reports as early as possible and he would be glad to report the suggestion which had been made by the Australian representative to the Fund authorities.

The CHAIRMAN concluded that, in view of the statement of the Fund representative, it would be unrealistic to hope that consultations under Article XIV:1 (g) could take place earlier than late September. Considering these facts, the next Session, at which the consultations should take place, would have to be scheduled to convene not earlier than the beginning of October. But the question of the United States import restrictions and the European Coal and Steel Community might become in the meantime urgent matters requiring immediate consideration by the Contracting Parties. Consequently, even taking into account the desirability of avoiding frequent meetings, one could not rule out the possibility of a special session in July. To facilitate the work of such a special session and in accordance with existing intersessional procedure, a working party might be set up now to consider any requests which might be made for authorization to suspend the application to the United States of obligations or concessions under the Agreement, such as envisaged in Article XXIII:2 and in the Resolution of October 26, 1951.

Mr. ANZILOTTI (Italy) supported the Chairman's proposal, but drew attention to the item on the outline agenda regarding the special treatment granted by Italy to Libyan products, the continuance of which until 30 September 1952 had been authorized by the Contracting Parties at the Sixth Session. There would be no difficulty if the Contracting Parties met before 30 September 1952, and even a later meeting would not cause difficulty in Mr. Anzilotti's view as the special regime could be continued for a limited period by administrative decision of his Government.

M. LECUYER (France) supported the proposal for an October Session. He hoped however that such a decision would not preclude the possibility of an earlier session to discuss any urgent and important questions which might arise. He was thinking, particularly, of the United States import restrictions on dairy products. The establishment by this Committee of a working party would be an acceptable solution, the Working Party to meet to consider any retaliatory measures that a contracting party might wish to take and in any case to meet early in July by which time the status of the United States import restrictions would be known.

Dr. van BLANKENSTEIN (Netherlands) supported the French proposal. The Resolution of October 26, 1951 recommended that the United States Government be allowed a certain time to seek the repeal of Section 104 of the Defense Production Act. It was, however, for the Governments of the affected contracting parties to decide what was a reasonable time and they should not be bound to await the end of the Congressional Session. Furthermore, the Resolution stated that the United States Government should report to the Contracting Parties no later than the Seventh Session which was at that time scheduled to take place early in June. He was therefore in favour of the establishment of a working party to meet if there were any retaliatory actions to be considered and in any case not later than early July.

Mr. SVEINBJØRNSSON (Denmark) assumed that if a special session were called in July, its agenda would not necessarily be confined to U.S. import restrictions and/or the Schuman plan, but that other important matters pending might also be considered.

Mr. MOORE (United States) wished to emphasize that any special Session should be limited to a discussion of the urgent matters that had prompted its convening. There should be no possibility of so broadening the agenda as to make it in effect another regular session.

The CHAIRMAN said that it was of course up to the Contracting Parties to adopt their own agenda. This Committee might agree in principle that if a special session were called it would be only to discuss certain specific urgent questions.

Mr. COUILLARD (Canada) proposed that the date of the opening of the Seventh Session be Thursday 2 October 1952. After discussion, in which Mr. COUILLARD (Canada), M. LECUYER (France), Dr. van BLANKENSTEIN (the Netherlands), Dr. BOTHA (South Africa), Mr. AHMAD (Pakistan), and the EXECUTIVE SECRETARY participated, the following agreement was reached.

It was agreed that the Seventh Session should convene on Thursday, 2 October 1952. Further the Committee agreed that a special session should be convened in the latter half of July to receive the report of the Intersessional Working Party on United States' Restrictions on Dairy Products and/or the report of the Working Party on the European Coal and Steel Community, if so requested by either or both of these Working Parties. Since, under the rules of procedure, a contracting party may request the convening of a special session, it is understood that other matters of great urgency may be proposed for discussion at the session envisaged for July. In view of this advance notice of the possibility of a special session being held in July, the Committee considered that the requirement of 21 days' notice need not be insisted upon on this occasion, provided, however, that reasonable notice should be given of any new items proposed for inclusion in the agenda.

Consequent upon the decision on the date of the convening of the Seventh Session it was agreed that the Intersessional Committee should meet on Thursday, 4 September, to consider what matters are likely to arise at the session and to examine the adequacy of the documentation available.

Mr. NIMMO (Australia) wished it to be recorded that although the requirement of 21 days notice of the convening of a special session were set aside in this instance, as early a notice as possible would be given for the

Replying to questions, the EXECUTIVE SECRETARY said - (a) that the 4th of September was recommended for the meeting of the Committee because by that time all proposals regarding items for inclusion in the provisional agenda would, in accordance with the rules of procedure, have reached the Secretariat and would be ready for consideration by the Intersessional Committee; (b) that the Intersessional Committee would not normally be required to meet before the convening of a special session to consider its agenda; (c) that one of the functions of the Intersessional Committee being "to examine the adequacy of the documentation available", there seemed to be no need to make an additional appeal to Contracting Parties regarding the supply of sufficient documentation, and (d) that there was no need to specify the place of the meeting if it were Geneva as it is understood that all meetings of the Contracting Parties are held at the Headquarters unless otherwise decided.

The EXECUTIVE SECRETARY drew attention to the Decision of October 26, 1951 by which Italy was granted a waiver for the continued application of special customs treatment to certain products of Libya until September 1952. The time limit had been fixed on the assumption that a meeting of the Contracting Parties would be held in June this year at which the waiver could be reconsidered on a permanent basis. In view of the late date which had now been chosen for the Seventh Session, it would be fair to the Governments of Italy and Libya if a new decision could be taken by the Contracting Parties to enable the continued application of the special treatment on a provisional basis until the end of the Seventh Session or until such time as the Contracting Parties should reach a final decision on the matter, whichever might be the earlier.

It was agreed that a draft decision should be prepared by the Secretariat and a vote should be taken pursuant to Article XXV:5 (a) by postal ballot, the decision to take effect upon securing the required number of votes.

With reference to the proposed working party on United States import restrictions on dairy products, the following draft terms of reference were put forward as a basis of discussion.

"In the light of the Resolution of 26 October 1951 and in accordance with the provisions of Article XXIII, paragraph 2:

"(a) to investigate complaints of contracting parties of nullification and impairment arising from restrictions imposed by the Government of the United States on the importation of dairy products,

"(b) to consider any requests which may be made by the contracting parties concerned for authorization to suspend the application to the United States of obligations or concessions under the General Agreement, and,

"(c) to submit recommendations thereon to the Contracting Parties."

Dr. van BLANKENSTEIN (Netherlands) proposed the deletion of paragraph (a) on the ground that the investigation of complaints had been carried out at the Sixth Session.

Mr. LECUYER (France), Mr. SVEINBJØRNSSON (Denmark) and Dr. BOTHA (Union of South Africa) were in favour of retaining paragraph (a).

The EXECUTIVE SECRETARY explained that paragraph (a), which was based on the Resolution of October 26, 1951, was included to serve as an introduction to paragraph (b) which stated the task to be performed by the working party.

Dr. van BLANKENSTEIN (Netherlands) withdrew his objection to paragraph (a), on the understanding that the paragraph meant only to be an elucidation of the purpose of the working party for the benefit of readers not present at the meeting.

Mr. COUILLARD (Canada) questioned the purpose of the working party as defined by the proposed terms of reference. The Resolution of October 26, 1951 had recognized nullification and impairment within the meaning of Article XXIII, the infringement of Article XI, and the serious damages which had been suffered by contracting parties. The Contracting Parties had recognized in addition that the circumstances were serious enough to justify recourse to Article XXIII:2. Therefore the contracting parties concerned had already been authorized by implication to take action under Article XXIII:2, and it had not been the understanding of the Contracting Parties that under Article XXIII:2, the Contracting Parties acting jointly would have to determine which obligations or concessions would be appropriate for suspension.

Dr. van BLANKENSTEIN (Netherlands) did not agree with the interpretation to Article XXIII:2 given by the Canadian representative. He suggested that this important question of interpretation should be left for discussion by the Contracting Parties without being prejudiced at this meeting.

The CHAIRMAN suggested the omission of paragraph (a) as a solution of the difficulty of interpretation.

Mr. LECKIE (United Kingdom) thought that Article XXIII:2 clearly meant that the Contracting Parties acting jointly were to determine the appropriate obligations or concessions which they might authorize a contracting party to suspend. Paragraph (a) was essential to bear out the train of thought, but to meet the difficulty of certain delegations, the two paragraphs might be shortened and combined.

Mr. COUILLARD (Canada) said that the wording of Article XXIII:2 had never been definitely interpretated and the present paragraph (b) of the terms of reference, if standing by itself, would be flexible enough to suit either interpretation.

Mr. SVEINGJØRNSSON (Denmark), agreeing to the deletion of paragraph (a), proposed the substitution of the words "On the basis of the Resolution of October 26, 1951" for the introductory passage.

Mr. COULLARD (Canada) maintained that by the Resolution of October 26, 1951, contracting parties suffering damage had been authorized to suspend the application of obligations or concessions to the United States and, consequently, the sole task of the working party would be to consider the proposed retaliatory action with a view to ensuring a balance being maintained between the damage suffered and the effect of such action. As to when the working party should meet, he suggested that the convening of the working party should be conditional upon requests for authorization being received.

Dr. van BLANKENSTEIN (Netherlands) recalled that when the Resolution of October 26, 1951 was drafted - under which the United States was required to report not later than the opening of the Seventh Session on the action it had taken - it was understood that the Seventh Session would be held in June. The postponement of the Seventh Session should not cause a delay in the submission of the required report and the working party should meet at an early date in July to receive such a report if at that time the restrictions in question should continue in force.

It was agreed to appoint an Intersessional Working Party on U.S. Import Restrictions on Dairy Products with the following terms of reference and membership, this working party to be convened by the Executive Secretary upon the request of one of the complaining contracting parties at an early date in July if at that time the restrictions in question should continue in force.

Terms of Reference:

"On the basis of the Resolution of October 26, 1951, to receive any notifications which may be made by the contracting parties concerned regarding the suspension of the application to the United States of obligations or concessions under the General Agreement, and to submit recommendations thereon to the Contracting Parties."

Membership:

Chairman: Mr. Aziz Ahmad (Pakistan)

Brazil	France	New Zealand
Canada	Italy	United Kingdom
Denmark	Netherlands	United States

2. Request by the Government of Germany concerning the Acceptance of a Special Exchange Agreement (GATT/IC/4)

Dr. HAGEMANN (Germany) stated that his Government was conducting negotiations regarding membership in the International Monetary Fund, but it seemed unlikely that Germany would be a member before the summer of 1952. Consequently, the Federal Republic was ready to enter into a special exchange agreement with the Contracting Parties. Ratification of such an agreement by parliament, which had been thought necessary, might not be required, in which case it might be possible to accept the agreement before April 30. The Federal Government requested, however, that the time limit be extended to June 30, although it might be possible to accept the agreement by April 30. Dr. Hagemann referred to the provisions of paragraph 1 (f) of Article XIV and to the question of the initation of consultations with the Contracting Parties under paragraph 1 (g) of that Article if his Government were not by March 15 a member of the Fund and had not entered into a special exchange agreement. Germany was ready to enter into such consultations, and if the Contracting Parties agreed to the extension of the date for joining the Fund or accepting a special exchange agreement, Germany would also request that the time limit for the initiation of the consultations be similarly extended.

The EXECUTIVE SECRETARY explained that the text of the draft decision (GATT/IC/4) was proposed with the thought that, if approved, it might be submitted to the contracting parties for adoption by postal ballot. The Intersessional Committee was not competent to decide on a waiver of obligations under the Agreement, but could submit a decision to the contracting parties for their approval. In order to shorten the time before approval was obtained, he suggested that any delegations which were able to record the votes of their governments should do so before the close of the meeting.

It was agreed that the draft decision, with the insertion of the date "30 June, 1952" would be submitted to contracting parties for approval by postal ballot.

Dr. HAGEMANN (Germany) said, with regard to the consultations under Article XIV: 1(g), that his Government was ready to initiate the consultations in March, but this appeared to be irregular while Germany was neither a member of the Fund nor party to a special exchange agreement.

Mr. PERRY (International Monetary Fund) mentioned that there might be two consultations with the German Government. In addition to the consultation under Article XIV of the General Agreement, which depended on whether the German Government considered that some of its import restrictions would fall under Article XIV: 1 (c), there might be a consultation under Article XI of the special exchange agreement, which would be similar to the consultations between the Fund and its members on restrictions on payments and transfers. The Fund would probably regard acceptance of a special exchange agreement as the binding act, and would not expect to enter into consultations prior to that time.

The EXECUTIVE SECRETARY explained that the consultation on which Germany requested postponement was that with the Contracting Parties under Article XIV: 1 (g). The Contracting Parties would not be able to accept the initiation of consultations by Germany when it was neither a member of the Fund nor party to a special exchange agreement, but if it were decided to extend the time limit for acceptance by Germany of a special exchange agreement, then it was logical and necessary that a similar extension be granted for the initiation of consultations under Article XIV: 1 (g). However, no formal decision by the Contracting Parties on this matter was called for. The other consultation, on restrictions on payments and transfers, would normally take place between Germany and the Fund either under Article XIV of the Fund Agreement when Germany had become a member of the Fund or under Article XI of a special exchange agreement if such an agreement enters into force.

The Committee agreed that a communication from the Government of Germany, after it qualifies to maintain deviations from the rule of Article XIII, in the terms of Article XIV: 1 (f), notifying that it was initiating consultations with the Contracting Parties pursuant to Article XIV: 1 (g), would be regarded as valid and fulfilling the requirements of Article XIV: 1 (g).

Mr. TREU (Austria) enquired whether in view of the alteration of the Seventh Session date, it might not be suitable to alter the date of March 15 for the initiation of consultations.

The EXECUTIVE SECRETARY said it was desirable that the preparation of the documents should proceed and the longer interval between the receipt of information and its consideration at the Seventh Session would enable contracting parties to give more careful study to the statements. It might be understood however that it would be open to governments to submit supplementary statements later than March 15, or that any government which had serious difficulty in adhering to the March 15 date might submit its statement as soon as possible thereafter.

3. New measures of import restrictions (United Kingdom, Southern Rhodesia, France) (GATT/IC/6)

The CHAIRMAN drew the attention of the Committee to the communications received from the French, Southern Rhodesian, United Kingdom and South African Governments regarding new measures of import restrictions (GATT/CP/144, 138, 143 and 145) and called upon representatives of these countries for statements.

Mr. LESKIE (United Kingdom) said that the United Kingdom had submitted (GATT/CP/143) notification of further reductions in the United Kingdom external expenditure which should result in a saving of approximately £150 million additional to the £350 million of which the Contracting Parties had already been informed. He wished to draw attention to the fact that, as on the previous occasion, the estimated saving was on a programme level and did not necessarily involve a fully equivalent reduction in the current level of imports. The present set of measures did not involve the revocation of Open General Licences for goods imported from O.E.E.C. countries and did not, in the main, consist of a reduction in the amount of "additional imports" taken by the United Kingdom; consequently, the question of the interpretation of Annex J which had occupied the last meeting of the Committee did not arise in respect of these measures. He suggested that the further reductions in the United Kingdom expenditure be examined at the Seventh Session, together with those already notified, in accordance with the procedure agreed upon by the Committee at its meeting in January last.

Mr. LECUYER (France) referred to the communication from the French Government (GATT/CP/144). France had found it necessary, owing to the rapid depletion of the French reserves and the French deficit in the E.P.U., to take urgent measures. His Government considered these measures to be of a temporary nature and intended to return as quickly as possible to liberalization with regard to many products, particularly those on the O.E.E.C. Common List. The first measures taken by the French Government had, in fact, left many products on the Common List free of licensing requirements, but owing to the acceleration of the decline in French reserves, it had been necessary for his Government to place all imports under licensing requirements. Although it was intended to return as quickly as possible to a liberalization policy, he wished to point out that priority would have to be given to items most important for the French economy.

Rules for the fixing of quotas and delivery of licences were under study and would be communicated to the O.E.E.C. on 28 February. The E.P.U. was to examine the French situation from the financial point of view on 6 March, and an O.E.E.C. Committee would examine the commercial aspects on 10 March. He could not give any more definite information at the present time to the Contracting Parties, but supplementary data would be furnished as soon as possible.

Dr. BOTHA (South Africa) referred to the letter from the South African Government (GATT/CP/145) wherein it was stated that his Government intended to consult with the Contracting Parties under Article XIV:1 (g) and that the relevant statements would be submitted as soon as possible. One minor measure of import restriction on the importation of textile piece goods was transmitted with the letter and reproduced in the document. His Government did not consider this a substantial intensification under the terms of Article XII:4 (b) but rather a deviation from the provisions of Article XIII on which consultations would take place in accordance with Article XIV:1 (g).

Mr. ROCQUE DA MOTTA (Brazil) said that his Government understood that the United Kingdom and France, as a result of the change in their external financial position, had been obliged to maintain and even to modify quantitative restrictions applied to their foreign trade. These measures were evidence of the extreme delicacy of the world economic situation which severely affected different national economies. The effect on the United Kingdom and France was particularly significant since both countries had reached a high degree of industrialisation which gave a certain stability to their economies whose structure was much less sensitive to variations in the external situation than that of countries whose economic development was still in the early stages.

The CHAIRMAN suggested that the Committee might decide -

(i) that the new restrictive measures reported by the four countries constituted a substantial intensification of their restrictions and that consultations under Article XII:4 (b) should take place at the Seventh Session; or

(ii) that the decision on whether the restrictions called for consultations under XII:4 (b), as well as the consultations themselves, should be left for the Seventh Session. The United Kingdom, Southern Rhodesia, and South Africa would all be consulting at that time under Article XIV:1 (g) and deferring the matter to the Seventh Session would leave to the Contracting Parties the difficult question of the interpretation of the relationship between Articles XII and XIV which the United Kingdom had raised at the January meeting. The Committee could note that the French Government was willing to consult under Article XII.

Alternatively, the consultations under Article XII:4 (b) on the French import restrictions could be initiated immediately. If all the consultations were initiated now this would entail reopening the question of interpretation discussed at the January meeting.

M. LECUYER (France) confirmed that his Government was prepared to consult under Article XII:4 (b). He agreed that the legal situation vis-à-vis Articles XII and XIV differed between France and United Kingdom. However, the actual position of the two countries was comparable. The same reasons had prompted the two countries to take similar measures; both countries were in the same position with regard to the OEEC. As far as France was concerned, a series of questions had to be settled with the OEEC and EPU, the members of which were

the most affected by the measures. The French Government would prefer the consultations to take place at the same time as the consultations with other countries in a similar position and suggested that they be held over for the Seventh Session.

Mr. LECKIE (United Kingdom) said that, so far as the measures taken by the Governments of the United Kingdom and Southern Rhodesia were concerned, he preferred alternative (ii) suggested by the Chairman. He wished to state that his Government maintained the interpretation they had put forward at the previous meeting of the Intersessional Committee that the latitude to discriminate given by Annex J was permissive and not mandatory and that consequently any action taken by a Government under Annex J, whether by way of increasing or decreasing the amount of its "additional imports", was entirely within the discretion of the contracting party concerned. If this view were not accepted, his Government would wish the question of interpretation to be discussed by Contracting Parties at the Seventh Session. As, however, the two sets of United Kingdom import cuts taken together involved some reduction in the level of imports taken by the United Kingdom on a non-discriminatory basis, he agreed that they could be held to amount to a substantial intensification of restrictions in the sense of Article XII: 4 (b). If, therefore, the generality of the Contracting Parties so desired, the United Kingdom would be prepared to accept an invitation to consult under that Article on the understanding that the precise scope of the consultation would depend on whatever decision might be reached by the Contracting Parties at their Seventh Session on the point of interpretation to which he had already referred. It would also be understood that any such consultations would take place concurrently with those to be held under Article XIV: 1(g).

Mr. van BLANKENSTEIN (Netherlands) wished it clearly understood that if the Netherlands agreed to the postponement of all the consultations until October, it was from a purely practical point of view. As far as the interests of the Netherlands were concerned, the French and United Kingdom import cuts were being discussed in the OEEC and EPU and the scope of the measures taken by South Africa and Southern Rhodesia was not such as seriously to affect Netherlands' trade with those two countries. He assumed that this purely practical solution would have no bearing on the decision taken at the last meeting on the procedures for dealing with cases of intensification.

Mr. COUILLARD (Canada) stated that Canada, as one of the countries affected by the restrictive measures, could only deplore the existence of world economic conditions which made it necessary for countries to take such measures. Canada, however, viewed with great satisfaction the increasing tendency of governments to deal with their economic difficulties not only by the negative method of restrictions but also by positive measures in internal economy. He agreed that all the consultations should be postponed to the Seventh Session.

Mr. VALDES ROIG (Cuba) agreed that it would be more useful to leave to the Contracting Parties the examination of these very delicate questions, particularly in view of the fact that the measures had already be taken.

It was to be hoped that the Contracting Parties would give careful study to the whole question in order that the measures already taken should not form a precedent which, if followed, would eventually make the General Agreement inoperative.

Mr. MOORE (United States) agreed with the Canadian and Cuban delegates that the question of the import restrictions should be examined at the Seventh Session.

Mr. IECKIE (United Kingdom) wished the understanding on which his Government accepted the conclusions of the Committee to be clearly recorded. The original import cuts announced by the United Kingdom, which were discussed at the last meeting of the Intersessional Committee, had consisted in the main of reductions in the additional imports permitted under Annex J, and the United Kingdom felt that since Annex J was permissive there was no obligation for it to consult with the Contracting Parties. The further cuts since announced involved an intensification in the non-discriminatory element of the import restrictions to such an extent that if the Contracting Parties wished to consult with the United Kingdom, the United Kingdom would not contest that the two sets of import cuts taken together would amount to a substantial intensification.

With regard to the case of Southern Rhodesia, Mr. IECKIE thought that its position was similar to the position of the United Kingdom at the last meeting of the Intersessional Committee and that the Committee should take the same decision with regard to the Southern Rhodesian import cuts, namely that the Contracting Parties would decide at their Seventh Session as to whether or not they amounted to a substantial intensification under the terms of Article XII: 4(b). It was in any case difficult to discuss the Southern Rhodesian case in the absence of a representative from Southern Rhodesia.

The CHAIRMAN thought it should be noted in the records that Contracting Parties whose interests were affected by any item on the Agenda of the Intersessional Committee should be represented at the Meetings as it was extremely difficult to discuss such items in the absence of a representative of the country concerned.

The Committee came to the following conclusions:

1) Without prejudice to the question discussed at the Committee's meeting in January, 1952, namely whether the measures introduced by the United Kingdom Government in November 1951 call for consultations under Article XII: 4(b), and in view of the fact that those measures taken together with those introduced in January 1952 amount to a substantial intensification of the United Kingdom's restrictions on imports, the United Kingdom should be invited to consult with the Contracting Parties in terms of Article XII:4 (b), the consultation to take place concurrently with the consultation with the United Kingdom under Article XIV: 1 (g).

2) The question of the new restrictions imposed by Southern Rhodesia and notified in Document GATT/CP/138 should be examined at the Seventh Session concurrently with the consultations with Southern Rhodesia under Article XIV: 1 (g).

3) The various emergency measures introduced by the Government of France constitute a substantial intensification of the French restrictions on imports and, therefore, the Government of France should be invited to consult under Article XII: 4(b), this consultation to take place during the Seventh Session.

4) As for the measures notified by the Union of South Africa affecting the issue of licences for the importation of textile piece goods, there is no prima facie case of substantial intensification of restrictions requiring the initiation of consultations under Article XII: 4 (b).

Mr. PERRY (International Monetary Fund) assumed that the Executive Secretary would in due course inform the International Monetary Fund, in accordance with Article XV, of the additional consultations which had been proposed for the Seventh Session.

The CHAIRMAN said that this would be done.

4. Belgian Restrictions on Imports from Dollar Area (GATT/IC/7)

Mr. MOORE (United States) said that the United States position had been made clear at the Sixth Session. It had been hoped to resolve this question during the period since the Sixth Session, but further discussions between the United States and Belgian Governments, had not resulted in a satisfactory conclusion. Consequently, the United States felt that the matter should be raised under the Agreement and proposed that a working party be established to report to the Seventh Session. His Government thought that it would be appropriate for the working party to have before it the results of the consideration by the Fund under Article XIV of the Fund Articles and he suggested that the terms of reference should provide for the Executive Secretary to request this material from the Fund.

Mr. CASSIERS (Belgium) thought it was unnecessary to restate the position of his Government which had also been clearly explained at the Sixth Session. The United States had now decided to make use of the complaint procedures of Article XXIII, procedures which in his view were useful in arriving at an interpretation of the Agreement with regard to specific complaints. The Belgian Government was agreeable to having the question discussed under Article XXIII, and to the establishment of a working party for this purpose. He also agreed that the Fund should be asked to give its advice and suggested that the working party meet after the Fund had prepared its report under Article XIV of the Articles of Agreement.

Mr. PERRY (International Monetary Fund) said that he would like to point out that a formal request to the Fund would probably be necessary regarding the provision of information on the Belgian question. He could only say that it was possible the Fund would hold its consultation with Belgium among the first of its consultations on exchange restrictions. The Fund would not normally expect to submit information to the Contracting Parties unless, in accordance with Article XV, a request for such information arose in consultation between the Contracting Parties and a contracting party.

The CHAIRMAN said that as far as form was concerned, the Intersessional Committee represented the Contracting Parties and any request from it was a request from the Contracting Parties. Article XV provided that the Contracting Parties should consult with the International Monetary Fund in all cases where they were "called upon to consider or deal with problems concerning monetary resources, balances of payments or foreign exchange arrangements". Furthermore, under Article XXIII it was open to the Contracting Parties to consult with any appropriate intergovernmental organization in cases where such consultation was considered necessary. As to the question of time, it was apparent that the working party would have to wait until the Fund's information was available before it could prepare a final report.

Mr. MOORE (Unit d States) hoped that if the material on the Belgian consultations were available earlier that the complete Fund report, the Executive Secretary would be notified in order that the working party could start its work sooner than would otherwise be possible.

Mr. LECKIE (United Kingdom) assumed that, as a matter of procedure, the initiation of the consultations between the Contracting Parties and the Fund would come from the working party which would communicate to the Fund the points on which advice was required.

Mr. PERRY (International Monetary Fund) said that on the general question of the information required from the Fund, he assumed the Contracting Parties would make a formal request for a consultation. He was not certain that the Fund would be able to accept the point made by the United Kingdom Delegate. As for an interchange of information, which might be helpful and useful to the Contracting Parties, the Fund was ready to supply such information. It might be difficult however for the Fund, under the consultation procedure, to accept an arrangement whereby it was asked to supply information on specific points requested by the Contracting Parties.

The CHAIRMAN proposed terms of reference for a working party, the second paragraph of which reads as follows:

> "In its consideration of this matter, the Working Party should take into account the results of the consultations which the International Monetary Fund will shortly be undertaking with Belgium, in accordance with Article XIV of the Articles of Agreement of the Fund."

Mr. LECKIE (United Kingdom) thought it inappropriate to instruct a working party of the Contracting Parties to take account of consultations undertaken in another organization. The fact that the Fund would shortly be consulting with Belgium in accordance with Article XIV of the Articles of Agreement was, so far as the Working Party was concerned, merely a fortuitous coincidence. Furthermore, the Contracting Parties could not, an indeed should not, assume that the Fund would automatically communicate the results of its consultations to a working party. He proposed another form of wording, referring specifically to the procedure for consultation between the Contracting Parties and the Fund under Article XV.

M. CASSIERS (Belgium) was willing to accept either the original wording or the wording proposed by the United Kingdom.

Mr. MOORE (United States) said that the two most interested parties agreed that the working party could not produce a useful report unless it had before it information provided by the organization responsible for deciding on balance-of-payment matters. It was essential to include some specific reference to the Fund as well as to the fact that the Executive Secretary should request the Fund's assistance.

Mr. PERRY (International Monetary Fund) agreed that it was partly coincidental that the Fund would have at its disposition material required by this working party. There was nevertheless a formal relationship laid down between the Fund and the Contracting Parties in Article XV, and he suggested that the terms of reference make specific mention of that article in order that there should be no difficulty of interpretation by the Fund.

The CHAIRMAN read a new wording which stated "that the Working Party should consult as necessary with the International Monetary Fund in accordance with Article XV of the Agreement and should in particular take account of the results of the consultations between the International Monetary Fund and Belgium ....."

Mr. NIMMO (Australia) found difficulty with this wording which seemed to place an undue emphasis on the Fund's conclusions which would be necessarily of a financial character and might not be completely relevant to the deliberations of a working party dealing with trade matters.

Mr. LECKIE (United Kingdom) thought it clear that the working party would require certain information from the Fund. The exact information necessary could not be decided upon until it started to work. He thought it should be left to the Executive Secretary to indicate to the Fund the scope of the material required. This was the regular procedure for consultation between the Contracting Parties and the Fund and should be followed here.

It was agreed:

(i) To set up a Working Party on the Belgian Restrictions on Imports from the Dollar Area with the following terms of reference and composition:

Terms of Reference:

"(a) to consider, in the light of the provisions of Article XXIII, the contention of the United States that the imposition by Belgium of discriminatory restrictions against dollar imports is inconsistent with Belgium's obligations under the General Agreement, that the benefits accruing to the United States directly and indirectly under the General Agreement in its trade with Belgium are being nullified and impaired, and that the attainment of the objectives of the General Agreement is being impeded; and to report to the Contracting Parties.

"(b) In its consideration of this matter, the Working Party should consult as necessary with the International Monetary Fund in accordance with Article XV of the General Agreement."

Composition:

Chairman: Mr. J.F. Nimmo (Australia)

Belgium	Germany	Sweden
Canada	India	United Kingdom
Cuba	Netherlands	United States
France	South Africa	

(ii) In view of paragraph (b) of the terms of reference, the date of convening the Working Party should depend upon the time at which the International Monetary Fund could make available information on its consultations with Belgium. The Executive Secretary should therefore communicate with the International Monetary Fund on this point.

The meeting adjourned on Tuesday afternoon, February 26, at 4 p.m.