



PRESS RELEASE

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HOUSE OF COMMONS)

The Department of External Affairs released to-day the text of the "Communiqué on the Review of the General Agreement" which has been prepared by the GATT Secretariat and which is being simultaneously released for publication in Geneva. This Communiqué covers the review of the General Agreement on Tariffs and Trade which was completed by the Contracting Parties to the GATT earlier this month. The text of the Communiqué is attached.

C O M M U N I Q U E

on

THE REVIEW OF THE GENERAL AGREEMENT

Introductory Paragraph

On 7 March 1955 the Contracting Parties to the General Agreement on Tariffs and Trade completed a comprehensive review of the Agreement in the light of seven years' experience. They have reaffirmed the basic objectives of the Agreement, they have adapted the provisions of the Agreement to meet the changed conditions and they have elaborated the objectives and the structure of an Organization to administer the Agreement.

The changes that have been worked out will now be submitted to governments for acceptance; in the meantime, the existing unamended Agreement remains in force. The summary of the changes set out below indicates therefore - except where otherwise indicated - the main lines of agreed proposals, which will come into effect when they have been accepted.

Summary of Main Results

The major results of the Review of the Agreement may be indicated as follows:

Reaffirmation of the basic objectives and obligations including the principle of non-discrimination in trade and the general prohibition (with specified exceptions) to the use of quantitative restrictions on imports, which have guided the contracting parties in their commercial relations since 1948, subject to any requirements of existing mandatory legislation.

The drawing up of a renewed undertaking to prolong the firm validity of the tariffs bound under the Agreement.

The Provision, in a special article, of suitable procedures for dealing with the problems of countries in early stages of development.

Provision for the establishment of a permanent Organization, to be known as the Organization for Trade Cooperation. When it is established the Organization will administer the Agreement and will supersede the present informal operational structure.

The introduction of new provisions relating to export subsidies.

Tariffs

By providing for the assured life of negotiated rates of duty the General Agreement has given stability to tariff levels for a large proportion of world trade. It was agreed to recommend to the governments of contracting parties the continuance of this stability by prolonging from 1 July 1955 to 31 December 1957 the assured life of the tariff schedules, and a Declaration to this effect has been drawn up and opened for signature.

A new principle has been introduced into the revision of the Agreement which would permit the automatic extension of the assured life of the tariff schedules in the future, by periods of three years, with provisions to enable contracting parties to seek authority to renegotiate during the bound period bound rates of duty if they find they must modify or withdraw some of them:

A new article dealing with tariff negotiations sponsored by the Contracting Parties has been included in the proposed amendments to the Agreement. The article imposes no new obligations on contracting parties. Each party retains the right to decide whether or not to engage in negotiations or to participate in a tariff conference. The purpose of the Article is to recognize the value of tariff negotiations directed to "the substantial reduction of the general level of tariffs and other charges on imports and exports and in particular the reduction of such high tariffs as discourage the importation even of minimum quantities". The article states the principle that, in tariff negotiations, the binding against increase of low duties or duty-free treatment shall be recognized as a concession equivalent in value to the reduction of high duties.

The Contracting Parties have also set up a special working party to study generally the possibilities for and methods of future tariff reduction and to recommend the convening of a tariff conference when it is felt that progress in that field is possible.

Quantitative Restrictions

No change has been proposed in the basic principle of the Agreement that contracting parties which maintain quantitative restrictions for balance of payments reasons have to eliminate them as soon as they can no longer be justified for balance of payments reasons. But in order to make this principle more effective in practice and particularly in order to adapt it to a period when the major currencies may become convertible, it is proposed that, soon after entry into force of the amendments, the Organization will review all quantitative restrictions still maintained for balance of payments reasons. Thereafter a system of annual consultations with contracting parties still applying restrictions of this type would come into effect and these countries would be required to justify each year the restrictions still being maintained.

In association with the proposed system of tighter control on the use of quantitative restrictions for balance of payments reasons, the Contracting Parties have taken a decision, with immediate effect, to assist in resolving the problems faced by contracting parties in eliminating the so-called "hard-core" of their import restrictions. These are restrictions whose sudden removal, when no longer justified for balance of payments reasons, would result in a serious injury to a domestic industry or branch of agriculture, to which they have afforded protection. The decision grants a temporary waiver from the obligation to eliminate quantitative restrictions in such circumstances

subject to the concurrence of the Contracting Parties in each case. The Contracting Parties may impose such conditions and limitations as they determine to be reasonable and necessary and the obligation is laid on the applicant to eliminate the quantitative restrictions in question over a comparatively short period of time not exceeding five years. The application of these "hard-core" restrictions and the progress made towards eliminating them will be reviewed by the Contracting Parties annually.

In connexion with the review of quantitative restrictions, the Contracting Parties, by a separate decision, dealt with the conflict which may occasionally arise between action required under U.S. legislation and the provisions of the Agreement dealing with quantitative restrictions and additional charges on imports. The Contracting Parties adopted a Decision, effective forthwith, which recognizes the difficulties arising from the terms of Section 22 of the United States Agricultural Adjustment Act, permits the United States to apply measures under this legislation, but at the same time preserves the right of a contracting party whose trade is damaged by import restrictions or additional charges imposed under that Act to have recourse to the procedures of the Agreement for adjusting the balance through negotiation. The Contracting Parties will review annually action taken by the United States under this legislation, and the U.S. Government has given assurances that before taking any new action it will consult with substantially interested countries and will terminate any restriction imposed under the legislation as soon as it is no longer required.

Assistance for Economic Development.

The need to encourage and facilitate the development of the economies of countries which can only support low standards of living and are in the early stages of development is consistent with the long-term objectives of the General Agreement, and steps have been taken in the revision to reduce to a minimum the conflict which may arise between the requirements of economic development and the short-term commercial interests of the other countries. Under the new provisions it has been recognized that contracting parties in the early stages of development should enjoy additional facilities to enable them (a) to maintain sufficient flexibility in their tariff structure to be able to grant the tariff protection required for the establishment of particular industries and (b) to apply quantitative restrictions on imports, to protect their balance of payments in a manner which takes full account of the continued high level of demand for imports likely to be generated by their programmes of economic development.

Procedures have been worked out by which a country in an early stage of development may enter into tariff negotiations with a view to modifying a concession that is bound under the Agreement, in order to promote the establishment of an industry. If agreement is not reached between the country concerned and other interested countries the matter may be

referred to the Contracting Parties. The Contracting Parties may allow the applicant contracting party to modify or withdraw concessions if they find that the compensation offered is inadequate.

In addition, procedures are established under which, in cases where no measure of commercial policy consistent with the General Agreement, such as tariffs or subsidies, would be practicable to protect a new industry in a country in the early stages of development during the first years of production, that country would be able to apply non-discriminatory restrictions on imports for such a transitional period.

The most significant change from the existing provisions of the Agreement would be that which would enable the country concerned to restrict, without the prior approval of the Contracting Parties, the importation of a commodity when the rate of duty on that commodity is not bound under the Agreement. In such a case, however, any other contracting party which is injured may withdraw substantially equivalent concessions granted under the Agreement.

In connexion with these proposals for assistance for economic development and in view of the special responsibilities of the United Kingdom towards its colonies, the Contracting Parties, by a separate decision, extended to the United Kingdom the right, effective immediately, to give special assistance to its colonial territories which depend largely on the U.K. market, through actions which would otherwise have been inconsistent with the provisions of the Agreement. These rights will apply only in cases where the industry or branch of agriculture of the colonial territory would be benefited, but not industry or agriculture in the United Kingdom or any other country. The United Kingdom will report annually to the Contracting Parties on any such measures adopted.

In the course of their consideration of problems in the field of economic development the Contracting Parties also adopted a Resolution recognizing that an increased flow of capital into countries in need for investment from abroad and, in particular, into under-developed countries would facilitate the objectives of the General Agreement by stimulating economic development of these countries whilst at the same time rendering it less necessary for them to resort to import restrictions. They recommended that contracting parties who are in a position to provide capital for international investment and contracting parties who desire to obtain such capital should use their best endeavours to create conditions calculated to stimulate the international flow of capital, having regard in particular to the importance of providing by appropriate methods for security for existing and future investment, the avoidance of double taxation, and facilities for the transfer of earnings upon foreign investments.

Subsidies

Provisions, additional to those already in the Agreement, are proposed in order to limit the harmful effect of export subsidies. In the field of primary products contracting parties would be under an obligation

not to use subsidies which increase exports so as to obtain for themselves more than a fair share of world trade. In the field of non-primary products no new or increased export subsidies would be permitted. The Contracting Parties agreed that there should be a re-examination to determine before the end of January 1957 whether existing export subsidies on non-primary commodities can be abolished or whether the maintenance of the stand-still should be extended for a further period.

In connexion with the consideration of export subsidies the Contracting Parties formulated additional provisions concerning the use of anti-dumping and countervailing measures by importing countries.

Problems of Commodity Trade

The Contracting Parties adopted a resolution providing that if a contracting party decides to liquidate any agricultural surpluses it should do so in such a way as to avoid unduly provoking disturbances on the world market that would adversely affect other member countries. They recommend "that when arranging the disposal of surplus agricultural products in world trade, contracting parties should undertake a procedure of consultation with the principal suppliers of those products and other interested contracting parties, which would contribute to the orderly liquidation of such surpluses including, where practicable, disposals designed to expand consumption of the products, and to the avoidance of prejudice to the interests of other contracting parties, and that they give sympathetic consideration to the views expressed by other contracting parties in the course of such consultations".

The Contracting Parties also recommended that, whenever practicable, any contracting party intending to liquidate a substantial quantity of strategic stocks of primary commodities should give advance notice and should consult fully with any contracting party which considers itself substantially interested and requests such consultations.

The amended Agreement would also include a new provision that would enable a contracting party whose economy depends on the export of a small number of primary commodities to consult with the Organization on measures taken by another country which seriously affected that contracting party's exports of the commodities in question.

During the course of the Review the Contracting Parties established a working party to consider a proposal for a convention which might govern international action on problems arising in the field of international trade in primary commodities. The working party, acting in the capacity of an expert group, concluded that it could not put its recommendations into final form until the interested governments had studied its preliminary views. It was decided therefore that the working party will meet again in the summer of 1955 after receiving the views of governments.

The Organization for Trade Cooperation

The Contracting Parties have drawn up an Agreement which, when it comes into force, will establish the Organization for Trade Cooperation. The Agreement contains the basic provisions relating to the structure and functions of the Organization. There would be an Assembly, an Executive Committee and a secretariat headed by a Director General.

The main function of the Organization would be to administer the General Agreement. In addition, the Organization would be able to sponsor international trade negotiations and to serve as an intergovernmental forum for the discussion and solution of other questions relating to international trade.

The Agreement will enter into force, among the governments that have accepted it, after it has been accepted by governments whose territories account for 85 percent of the total external trade of the territories of the governments which comprise the Contracting Parties.

Legal Status

Most of the proposed amendments to the text of the Agreement have been embodied in Protocols which are now open for acceptance, a distinction being made between amendments which require unanimous approval under the terms of the existing Agreement and those which can enter into force with a two-thirds majority.

In addition the following instruments have been opened for signature:

The Agreement on the Organization for Trade Cooperation, which requires - as stated above - acceptance by contracting parties accounting for a high percentage of world trade.

A Declaration extending the assured life of the tariff schedules from 1 July 1955 to 31 December 1957.

A Protocol of Organizational Amendments which amends the existing General Agreement to take account of the functions of the Organization, when it comes into existence.