

CHAPTER XIV

THE INTERNATIONAL TRADE ORGANIZATION AND THE GENERAL AGREEMENT ON TARIFFS AND TRADE

THE INTERNATIONAL TRADE ORGANIZATION (ITO)

(Not yet established)

The United Nations Conference on Trade and Employment, held in Havana from November 1947 to March 1948, drew up a Charter, known as the Havana Charter, for an International Trade Organization (ITO)¹ and established an Interim Commission for the International Trade Organization (ICITO).

The main task of the Interim Commission was to prepare for the first session of ITO. This task, so far as events could be foreseen, was completed in 1949.

As a result of the lack of acceptances of the Havana Charter, it became evident that the establishment of ITO would be indefinitely postponed. In view of the decision of the Contracting Parties to the General Agreement on Tariffs and Trade (GATT) to provide for the establishment of an organization² which would administer GATT, there is tacit recognition that the proposal to establish ITO has been abandoned.

THE GENERAL AGREEMENT ON TARIFFS AND TRADE (GATT)

In 1947, while the Charter for ITO was in course of preparation, the members of the Preparatory Committee decided to proceed forthwith with tariff negotiations among themselves, and also drew up the General Agreement on Tariffs and Trade (GATT).³ The Agreement entered into force on 1 January 1948, there being 23 contracting parties at that time.

Up to the end of 1959, the Contracting Parties had held 15 regular sessions. At the end of 1959, there were 37 contracting parties and five countries participating in the work of the Contracting Parties under special arrangements.

The Contracting Parties have held four major negotiating conferences for the reduction of tariffs—in 1947, 1949, 1950 and 1956. The decision to convene a further tariff conference in 1960/61 is described below.

Following the decision taken in 1958 to hold two sessions each year, in place of one, the Contracting Parties held their fourteenth and fifteenth sessions during 1959, the former at Geneva, the latter at Tokyo.

THE FOURTEENTH SESSION

The fourteenth session of the Contracting Parties to GATT was held at Geneva from 11 May to 30 May 1959. Main developments included the following:

(1) Further progress was made in the programme of action towards the further expansion of international trade.⁴ In the field of tariffs, the Contracting Parties decided to convene a tariff conference, commencing in September 1960. The conference was to be held in two phases. The first phase, to last up to the end of 1960, would be concerned with renegotiations with member States of the European Economic Community (EEC). The second phase, opening at the beginning of 1961, would be concerned with (a) negotiations among contracting parties for new tariff concessions and (b) negotiations with countries wishing to accede to GATT.

In the field of trade in agricultural products, the Contracting Parties drew up a programme for consultations with all contracting parties about their agricultural policies and the restrictive effects of such policies on international

¹ For further information, see previous volumes of Y.U.N.

² The organization will be called "Organization for Trade Go-operation" (OTC). A number of countries had accepted the OTC agreement by the end of 1954; it also required acceptance by the United States Government to come into effect.

³ For a fuller description of the structure and functions of GATT, see Y.U.N., 1953, pp. 836-37.

⁴ For a description of this programme, see Y.U.N., 1958, p. 503.

trade. It was agreed that, with the objective of completing consultations with all contracting parties over the next 12 months, a start would be made by consulting with certain major industrial countries in September 1959.

Turning to the third aspect of the programme for trade expansion, namely, the difficulties faced by less developed countries in expanding their export trade, the Contracting Parties agreed to select a limited list of products and to initiate a study of the problem on a product-by-product basis, the first list to be examined in September 1959.

(2) During 1959, the work accomplished by GATT, through its consultation procedures, towards reducing and eliminating import restrictions (hitherto applied on balance-of-payment grounds) increased in scope and importance, and attracted world-wide attention (see below, section on FIFTEENTH SESSION).

At the fourteenth session, the Contracting Parties concluded consultations with France, New Zealand, the Union of South Africa and the United Kingdom.

(3) On the subject of the European Economic Community (EEC), a number of contracting parties again stressed their fears that the association of the overseas territories of the six member States of EEC with the Community would lead to damage to existing patterns of international trade and that, in particular, the countries producing tropical products would suffer accordingly.

(4) At the twelfth session in 1957, the Contracting Parties, on the basis of findings of the International Monetary Fund, decided that the Federal Republic of Germany was no longer entitled to maintain import restrictions for balance-of-payments reasons. The matter has frequently been examined since then. At the fourteenth session, the Contracting Parties took a decision which provided a framework for a settlement of the problem over a three-year period.

(5) The Contracting Parties invited Israel to take part in their work forthwith and to accede to the Agreement provisionally pending tariff negotiations which it will undertake during the 1960-61 tariff conference. Following a request by Yugoslavia for closer association with the Contracting Parties, a declaration on relations between them and Yugoslavia was opened

for signature. It provided for the establishment of commercial relations between Yugoslavia and those contracting parties which signed the Declaration, to as great an extent as possible on the basis of the GATT provisions. It also provided for Yugoslavia to participate in the work of the Contracting Parties. With acceptance by two-thirds of the contracting parties, the Declaration entered into force on 16 November 1959.

THE FIFTEENTH SESSION

The fifteenth session of the Contracting Parties was held at Tokyo from 26 October to 20 November 1959. Main developments included the following:

(1) The first three days were devoted to an exchange of views among ministerial representatives—36 ministerial representatives participated. In their final communiqué, they underlined the following points: (a) The improved economic situation opened the door to a further significant advance in international trade, (b) As a result of moves towards full currency convertibility during 1959 there was no longer any justification, in many cases, for discriminatory import restrictions; further, rapid progress could now be made in the elimination of all quantitative restrictions on imports by countries no longer experiencing balance-of-payments difficulties, (c) There was a need to press forward with the GATT programme for trade expansion in the present favourable climate of international trade, (d) Great emphasis was placed on the importance of every effort being made to help the less developed countries which have not shared fully in the improvement in economic conditions, (e) As to regional economic arrangements, they stressed that such groupings should take full account of the trade interests of other countries and pursue outward-looking policies.

(2) As to the GATT programme for the expansion of trade, the Contracting Parties adopted the rules and procedures for the 1960-61 tariff conference. Consultations which were focused on the effects on international trade of the agricultural policies of individual contracting parties were held with a first group of countries in September 1959 and with a second group during the fifteenth session. A third group of consultations was scheduled for February 1960. The Contracting Parties also adopted a

report on problems facing the less developed countries, which recommended that member countries should examine tariffs, revenue duties, quantitative restrictions and other measures which they applied. The aim of this recommendation was to facilitate an early expansion of the export earnings of these countries, thus making them less dependent on external aid, strengthening their economies and accelerating their development.

(3) Consultations on balance-of-payments import restrictions were held, between the fourteenth and fifteenth sessions, with Australia, Austria, Denmark, the Federation of Malaya, Finland, Ghana, Japan, Norway, the Federation of Rhodesia and Nyasaland, and Sweden. Arrangements were made at the fifteenth session to hold consultations during 1960 with some 25 countries. In their annual report on the discriminatory application of import restrictions, the Contracting Parties reaffirmed that the removal of discrimination was a vital step towards the expansion of international trade. It was generally agreed that the remaining discrimination applied under Article XIV of GATT should be quickly eliminated, and contracting parties reaffirmed their intention to do away with such restrictions as soon as their balance-of-payments positions permitted. In the last two months of 1959, a number of Governments announced extensive liberalization measures to take effect forthwith.

(4) The representative of the Commission of the European Economic Community reported on recent developments in the activities of the Common Market, and stressed the fact that in recent months trade with third countries—in particular, imports of certain tropical products—showed an upward movement. The report was welcomed as showing an encouraging trend. Some delegates, however, emphasized the need for the Community's agricultural policy to pay attention to the legitimate interests of third countries.

(5) The delegations of Brazil, Chile, Peru, Uruguay and the observers for Argentina and Bolivia informed the Contracting Parties of the completion of a first draft of a free-trade area treaty (for what is known as the Latin American Common Market) and of their intention to complete the text early in 1960. They declared their intention to submit the

treaty to the Contracting Parties as soon as it took concrete shape. The Contracting Parties took note of this intention, and many delegations gave a warm and sympathetic welcome to the project.

(6) On behalf of the seven Governments (Austria, Denmark, Norway, Portugal, Sweden, Switzerland, United Kingdom) which form the European Free Trade Association (EFTA), the delegate of Sweden stated that in order to comply with GATT Article XXIV, the text of the EFTA Convention would be submitted without delay. The Contracting Parties adopted a timetable for the consideration of the Convention; this envisaged a meeting of the Inter-sessional Committee at the end of March 1960.

(7) The importance of trade in primary commodities to many GATT member countries, in particular the less developed countries, has led to an annual review of trends and developments in such trade. At their fifteenth session, the Contracting Parties adopted a report which examined such matters as the impact of fluctuations in commodity prices on primary producing countries and the factors affecting supply and demand. The report attached considerable importance to international efforts directed towards: (a) assisting countries which were heavily dependent on the export of primary products to diversify their economies, and (b) directing international financial resources in order to help the producing countries in balance-of-payments difficulties due to a decline in export earnings during periods of falling prices.

(8) The United States delegation reported, as at previous sessions, on the United States disposal programme for surplus agricultural products, under the terms of U.S. Public Law 480 and other legislation. It did so in connexion with the GATT resolution on the disposal of surpluses of 4 March 1955.

(9) (a) The delegation of Cuba reported on the reform of the Cuban tariff and on the various renegotiations which Cuba expects soon to undertake, with the objective of bringing up to date its tariff structure so as to contribute to the development of the Cuban economy, (b) The Greek delegation, whose Government was modernizing its customs tariffs, indicated that the revised tariff would soon be submitted to Parliament and would enter into force as soon as it was enacted. The Contracting Parties

granted Greece a waiver to allow it to put into effect modifications or withdrawals of concessions without having first obtained the agreement of interested contracting parties, (c) The delegation of Finland informed the Contracting Parties that Finland intended to bring a new tariff into force, based on the Brussels Nomenclature, on 1 January 1960. It was not intended to increase the level of tariff protection or of fiscal duties.

(10) Belgium reported on its "hard-core" waiver granted in 1955 under which it undertook to eliminate quantitative controls on imports by the end of 1962. Several delegations expressed serious concern about the lack of progress towards the removal of restrictions during the past year. It was agreed that the Belgian Government should advise the Contracting Parties as early as possible and, in any event, not later than the end of February 1960 of the steps it proposed to take.

(11) The discussion on the continuing application of Article XXXV to Japan by 14 contracting parties indicated that there had been no concrete change in the situation. The Japanese delegate stated his Government's intention to speed up and intensify consultations with each of the Governments concerned with a view to reaching a solution of the problem.

(12) The Contracting Parties agreed to a request by Tunisia for provisional accession, as a preliminary to full accession following tariff negotiations to be undertaken during the 1960-1961 tariff conference. At the fourteenth session, Poland indicated her desire for a form of closer

co-operation with the Contracting Parties. At the fifteenth session the Contracting Parties drew up and opened for acceptance a Declaration on relations with Poland. The Declaration stated that Poland and the parties to the Declaration desired to extend their trade on the basis of mutual advantage in trading relations. It was to enter into force when accepted by two-thirds of the contracting parties, and Poland would then be invited to participate.

PUBLICATIONS

In 1959 the GATT secretariat published:

International Trade 1957-1958. This analysed the main changes in the structure and development of international trade on a world-wide basis; examined developments in commercial policy, customs tariffs, quantitative restrictions, etc.; and summarized the work of the Contracting Parties.

Seventh Supplement to Basic Instruments, which contained the decisions, reports, etc., of the thirteenth session of the Contracting Parties.

Restrictive Business Practices, a study by Professor J. L'Huillier of the University of Geneva.

FINANCIAL ARRANGEMENTS

The Governments which are parties to GATT participate financially in accordance with a scale of contributions which is assessed on their share of foreign trade. The scale of contributions (in U.S. dollars) for 1960 is given in Annex I below.

ANNEX I. CONTRACTING PARTIES TO GATT AND 1960 SCALE OF CONTRIBUTIONS

Contracting Party	Contributions (in U.S. dollars)	Contracting Party	Contributions (in U.S. dollars)	Contracting Party	Contributions (in U.S. dollars)
Australia	\$ 14,106	Federation of Malaya	4,541	Luxembourg	3,323
Austria	7,133	Finland	5,903	Netherlands	32,132
Belgium	24,471	France	50,125	New Zealand	5,572
Brazil	9,862	Germany, Fed. Rep. of	55,671	Nicaragua	3,323
Burma	3,323	Ghana	3,323	Norway	7,384
Canada	41,664	Greece	3,323	Pakistan	3,323
Ceylon	3,323	Haiti	3,323	Peru	3,323
Chile	3,323	India	11,515	Rhodesia and Nyasaland, Fed. of	3,477
Cuba	5,672	Indonesia	5,764	Sweden	15,864
Czechoslovakia	9,862	Italy	20,776	Turkey	3,323
Denmark	9,115	Japan	22,627	Union of South Africa	10,272
Dominican Republic	3,323				

Contracting Party	Contributions (in U.S. dollars)	Countries which have acceded provisionally or which partici- pate in GATT under special arrangements	Contracting Party	Contributions (in U.S. dollars)
United Kingdom	105,591		Israel	3,323
United States	120,332		Switzerland	12,011
Uruguay	3,323		Yugoslavia	3,323
	<hr/>	Contracting Party (in U.S. dollars)		<hr/>
Total	\$642,630	Cambodia	Total	\$21,980
		3,323		

ANNEX II. OFFICERS AND HEADQUARTERS

OFFICERS

November 1958–November 1959	November 1959–November 1960
Chairman: Fernando García-Oldini (Chile)	Chairman: E. P. Barbosa da Silva (Brazil)
Vice-Chairmen: Sir John Crawford (Australia), Giuseppe Ferlesch (Italy)	Vice-Chairmen: T. Hagiwara (Japan), W. P. H. van Oorschot (Netherlands)

OFFICERS OF THE SECRETARIAT

Executive Secretary: Eric Wyndham White	Director, Trade Policy Division: F. Hundelach
Deputy Executive Secretary: J. Royer	Chief, Administrative and Financial Services: H. Ph. Sobéis
Special Assistant, Office of Executive Secretary: F. A. Haight	Head, Information and Library Unit: R. Ford
Director, Trade Intelligence Division: H. Staehle	Head, Languages Unit: R. Glémet

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