

CHAPTER XV

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 1960, the Contracting Parties had held 17 regular sessions. At the end of 1960, there were 38 contracting parties and nine countries participating in the work of the Contracting Parties under special arrangements.

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

In 1960, a Council of Representatives was established to undertake work between the regular sessions, and by the end of the year consisted of some 30 contracting parties which had nominated their representatives.

The main events of the year were the sixteenth and seventeenth sessions of the Contracting Parties and the first phase (not completed in 1960) of the 1960/61 Tariff Conference. All meetings in 1960 were held in Geneva.

THE SIXTEENTH SESSION

The sixteenth session was held from 16 May to 4 June 1960. The main developments were as follows:

1. Further progress was made in the trade expansion programme.⁴ A Tariff Negotiations Committee was set up to supervise the conduct of the 1960/61 Tariff Conference. Consultations with individual countries on their agricultural policies and systems were practically completed and work was begun on an analysis of the effects of such policies on trade in certain important commodities. It also agreed to call for a progress report from individual countries on the removal of obstacles to the exports of less developed countries, and to examine the barriers which face such exports, as regards a "second" list of goods, including some light manufactures.

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

² The organization will be called "Organization for Trade Co-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.

2. Regional Integration: (a) The Stockholm Treaty establishing the European Free Trade Association was examined in detail, but any decision regarding the conformity of the Treaty with GATT Article **XXIV** was postponed. (b) A start was made towards examining the Montevideo Treaty establishing the Latin American Free Trade Association. (c) The Commission of the European Economic Community reported on developments in the activities of the Common Market.

3. Good progress was reported in the removal of quantitative restrictions on imports. A number of countries had announced that they no longer had balance of payments difficulties; therefore, such restrictions would no longer be justified; in particular, reports were made by Belgium, Italy and the Federal Republic of Germany on the removal of residual import restrictions. Consultations with member Governments applying restrictions to safeguard their balance of payments were held with Austria, Brazil, Greece, India, the Union of South Africa and Uruguay.

4. During the discussions among Ministers of Trade at the fifteenth session, stress was laid on the problem of disruption of markets caused by a sudden influx of imports. It was decided at the sixteenth session to refer the matter to a working party which was called upon to suggest acceptable solutions consistent with the principles and objectives of the Agreement and to report to the seventeenth session (see below).

5. It was agreed that adequate and effective machinery was needed to deal with business arising between sessions, as well as for supervising committee work and preparing for the sessions. To this end, a Council of the Representatives of the Contracting Parties was established and its composition and procedures were laid down.

6. Other business concerned the application of Article **XXXV** to Japan, and tariff reforms concerning Brazil, Greece and New Zealand.

FIRST MEETING OF COUNCIL

The GATT Council of Representatives held its first meeting from 19 to 23 September 1960. The meeting was largely concerned with preliminary consideration of matters to be discussed at the seventeenth session.

TARIFF CONFERENCE 1960/61

The fifth extensive tariff negotiating conference held under GATT opened at Geneva on 1 September 1960. The conference—in effect, an integral part of the programme for trade expansion (see above)—was in two phases. The first was largely concerned with re-negotiations with the six member states of the European Economic Community; these re-negotiations were required because the individual six countries, while lowering some rates of duty, are obliged to increase certain other rates of duty—those rates which were "bound" in the GATT schedules—in order to align them with the corresponding rates of duty in the new common tariff of the Community.

The second phase, starting in February 1961, was to be largely taken up by negotiations for new tariff concessions, i.e., it was to be a further "general round" on the same lines as those held in 1947, 1949, 1950-51, and 1956. At the same time, countries intending to accede to the Agreement would participate.

THE SEVENTEENTH SESSION

The seventeenth session was held from 31 October to 19 November 1960. The main developments were as follows:

1. Regional Integration: (a) Regarding the Stockholm Convention establishing the European Free Trade Association, the Contracting Parties decided that there remained some legal and practical issues which could be more fruitfully discussed in the light of the operation of the Convention and its evolution. (b) The Montevideo Treaty establishing the Latin American Free Trade Association was examined in detail by a working party; but the Contracting Parties considered that there remained some legal and practical questions which could not be settled solely on the basis of the text of the Treaty and these could be discussed later in the light of the application of the Treaty. (c) The Commission of the European Economic Community reported on developments in the activities of the Community, with particular regard to tariffs, the general economic situation, and assistance to developing countries.

2. Programme for Trade Expansion: Discussions were held on the over-all effects of agricultural policies on trade in dairy products,

meat, cereals and fish. Discussions were begun on sugar, and postponed until 1961 on vegetable oils. Also considered was a progress report, reviewing the steps taken by individual member countries in removing obstacles to trade in a "first" list of commodities of particular interest to less developed countries.

3. With the improvement in the balance-of-payments situation in many countries, the total number of contracting parties making use of import restrictions under the rules of GATT fell from 25 in October 1959 to 17 in November 1960. In October-November 1960, consultations were held with Ceylon, Denmark, Finland, Israel, Japan, New Zealand, Norway and Pakistan. The Contracting Parties reviewed existing procedures for dealing with new or increased use of import restrictions. Belgium and the Federal Republic of Germany reported on their plans for removal of residual import restrictions. The United States reported on restrictions maintained, under a waiver granted in 1955, on imports of dairy and other agricultural products.

4. The Contracting Parties agreed to procedures for considering the problem of market disruption (see also above, under THE SIXTEENTH SESSION.) They established criteria for recognizing situations involving market disruption, created a permanent Committee on Avoidance of Market Disruption, and established certain procedures for consultation when such problems arose.

5. Subsidies. The Contracting Parties, in general, considered that the time had come to put the provisions of Article XVI fully into effect. They drew up and opened for signature a Declaration, the effect of which would be to prohibit the use of export subsidies on goods other than primary products. This Declaration, to be applied initially by a number of industrial countries, would become effective when they had accepted it.

6. Commodities: Delegates noted that recent developments in commodity trade were not promising and that prices for primary commodities had not reacted to the increased economic activity in industrialized countries. The essential role of GATT in commodity problems, it was stated, was to remove barriers to increasing consumption, through the programme

of trade expansion. As in earlier sessions, the disposal of commodity surpluses was discussed; while it was considered that the consultation procedures were working smoothly on the whole, it was deemed desirable to keep the matter under review.

7. Restrictive Business Practices: The Contracting Parties adopted a Decision which recognized: (a) that business practices restricting competition in international trade might hamper the expansion of world trade and the economic development in individual countries and thereby frustrate the benefits of tariff reduction and removal of quantitative restrictions; and (b) that international co-operation was needed to deal effectively with harmful restrictive practices in international trade. The Decision stated that consultations between Governments on these matters should be encouraged, but that in present circumstances it would not be practicable for the Contracting Parties to undertake any form of control of such practices nor to provide for investigation.

8. On the application of Article XXXV to Japan, the representative of Japan, expressing concern that there were still 14 countries applying Article XXXV to Japan, feared the number might increase to 25 or more if the newly independent states in Africa decided to accede to GATT. He made a formal request for a review of Article XXXV as applied to Japan. It was agreed that the request be examined by the Council in 1961.

9. Other business included the first review of Yugoslavia's association with GATT, and tariff reforms concerning Indonesia and Turkey.

10. Customs Conventions: During 1960 the Contracting Parties assisted in completing the texts of two new international conventions aimed at the removal of trade barriers. One was a convention on the temporary duty-free import of packings intended for re-export, opened for signature by the Customs Co-operation Council (Brussels). The second was a convention on temporary duty-free import of professional equipment, including cinematographic and television equipment; this was completed at the seventeenth session, and was to be opened for signature by the Customs Co-operation Council in mid-1961.

11. Budget: In view of the need for

strengthening the secretariat so as to deal with an expanding volume of work, the budget for 1961 was increased to \$1,000,000 as compared with \$660,000 for 1960.

12. Membership: At the end of 1960 there were 38 contracting parties. In addition, the following special arrangements were in force at the time: Switzerland, which carried out tariff negotiations with a view to accession, acceded provisionally to GATT. Israel and Tunisia, having acceded provisionally, were to participate in the Tariff Conference in 1961 with a view to full accession. Argentina, Cambodia, Portugal and Spain were participating in the work of the Contracting Parties and, with the exception of Argentina, were to join in tariff negotiations during the Tariff Conference, in 1961, with a view to accession. The negotiations with Argentina were to take place at some later date. Ireland would also negotiate for accession in 1961. Poland and Yugoslavia were participating in the work of the Contracting Parties.

At the seventeenth session, the Contracting Parties recommended to individual contracting parties that they continue to apply, on a basis of reciprocity, the General Agreement in their relations with Cyprus, the Malagasy Republic (Madagascar) and the former French and Belgian territories in West and Equatorial Africa which had recently acquired full autonomy in the conduct of their external commercial relations. This recommendation was for two years and was intended to afford these countries

an opportunity to decide upon their future relations with GATT.

PUBLICATIONS

In 1960 the GATT secretariat published: International Trade 1959 (analyses, with extensive statistical material, of the main changes in the structure and development of international trade on a world-wide basis). Eighth Supplement to Basic Instruments (containing the Decisions, Reports, etc., of the fourteenth and fifteenth sessions of the Contracting Parties).

The Activities of GATT 1959/60 (a review of the work undertaken during 1959 and the tasks ahead in 1960; this was the first of a new annual series and replaced the account given formerly of the work of the Contracting Parties in International Trade).

Developments in Commercial Policy (a review of changes in customs tariffs, quantitative restrictions, trade agreements, etc., on a world-wide basis, and the first of a new series, to be issued twice yearly, to replace the International Trade News Bulletin—discontinued at the end of 1959).

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 1961 is given in ANNEX I below.

ANNEX I. CONTRACTING PARTIES TO GATT AND 1961 SCALE OF CONTRIBUTIONS

Contracting Party	Contribution (in U.S. dollars)	Contracting Party	Contribution (in U.S. dollars)	Contracting Party	Contribution (in U.S. dollars)
Australia	\$ 20,680	Dominican Republic	5,000	Japan	34,690
Austria	10,720	Federation of Malaya	6,620	Luxembourg	5,000
Belgium	30,980	Finland	8,480	Netherlands	46,660
Brazil	14,030	France	66,350	New Zealand	7,880
Burma	5,000	Germany, Fed. Rep. of	87,590	Nicaragua	5,000
Canada	59,590	Ghana	5,000	Nigeria	5,000
Ceylon	5,000	Greece	5,000	Norway	10,820
Chile	5,000	Haiti	5,000	Pakistan	5,000
Cuba	8,210	India	16,940	Peru	5,000
Czechoslovakia	16,130	Indonesia	7,540	Rhodesia and Nyasaland,	
Denmark	14,050	Italy	31,480	Fed. of	5,000

Contracting Party	Contribution (in U.S. dollars)	Contracting Party	Contribution (in U.S. dollars)	Contracting Party	Contribution (in U.S. dollars)
Sweden	23,510	Argentina*	11,230	Tunisia*	5,000
Turkey	5,000	Cambodia*	5,000	Yugoslavia*	5,000
Union of South Africa	15,280	Israel*	5,000		
United Kingdom	148,430	Portugal*	6,800	Total	\$1,000,000
United States	174,750	Spain*	6,890		
Uruguay	5,000	Switzerland*	17,900		

* Not a full contracting party.

ANNEX II. OFFICERS AND HEADQUARTERS

OFFICERS

(November 1959-1960-November 1961)
Chairman: E. P. Barbosa da Silva (Brazil)

Vice-Chairmen: T. Haguiwara (Japan), W. P. H. van Oorschot (Netherlands)

OFFICERS OF THE SECRETARIAT

Executive Secretary: E. Wyndham White
Deputy Executive Secretary: J. Royer
Special Assistant, Office of Executive Secretary: F. A. Haight
Director, Trade Intelligence Division: (vacant)*
Director, Trade Policy Division: F. Gundelach

Chief, Administrative and Financial Services: H. Ph. Sobels
Head, Information and Library Unit: R. Ford
Head, Languages Unit: R. Glemet
* H. Staehle, the former holder of this position, died on 4 January 1961.

HEADQUARTERS

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