

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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CONTRACTING PARTIES
Fourteenth Session

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SUMMARY RECORD OF THE NINTH MEETING

Held at the Palais des Nations, Geneva, on
Wednesday, 27 May 1959, at 2.30 p.m.

Chairman: Mr. F. GARCIA OLDINI (Chile)

- Subjects discussed:
- 1: Freedom of Contract in Transport Insurance
 - 2: Australia/Papua-New Guinea Waiver
 - 3: Chilean Import Charges
 - 4: Nicaraguan Import Charges
 - 5: United States Import Restrictions on Lead and Zinc
 - 6: Article XXVIII Negotiations - Extension of Closing Date

1. Freedom of Contract in Transport Insurance (L/462 and L/923)

The CHAIRMAN recalled that this question had been examined by a working party at the tenth session. The working party's report and a draft recommendation for the elimination of restrictions relating to transport insurance were contained in document L/462. At the thirteenth session the Norwegian delegation had put forward an alternative draft recommendation, which was contained in document L/923, and it had been agreed that the two proposals should be considered by the CONTRACTING PARTIES at the present session. The Chairman expressed the hope that the CONTRACTING PARTIES would be able to reach agreement on this matter, and thus dispose of an item which had been on the agenda for a long time.

Mr. SOLBERG (Norway) said that the 1955 draft recommendation (L/462) provided that governments should avoid the introduction of measures relating to transport insurance having a more restrictive effect on international trade than those measures they were already applying, and that they should move as rapidly as circumstances permitted towards the elimination of existing restrictions. In an attempt to overcome the difficulties of those contracting parties who were unable to accept this recommendation, the Norwegian delegation, in consultation with other contracting parties, had produced the new draft recommendation (L/923). This draft recognized, in the preamble, the right and desire of countries which did not have a sufficiently developed national insurance business to take such measures as they considered necessary to foster such business. All reference to the elimination of existing restrictions had been omitted. As formulated, the Norwegian draft only recommended that governments should bear in mind, when deciding on their national policies in the field of insurance, the need for the measures they took to have as little detrimental effect on trade as possible.

Bearing in mind the objectives and principles of the General Agreement, it did not seem unreasonable for contracting parties to be asked to avoid creating, in a particular field, more obstacles to trade than already existed.

Mr. Solberg said he hoped that any delegations which could not support the Norwegian recommendation would report back to their governments the opinions expressed during the discussion on this subject, so that they might find it possible to withdraw their reservations at a later date. In putting forward their compromise recommendation, the Norwegian delegation had been motivated by the desire to serve the best interests of the General Agreement and to avoid a division among contracting parties on this issue.

Mr. van WIJK (Kingdom of the Netherlands) said that the original strong recommendation had been whittled down to the recommendation which now appeared in document L/923. His Government regretted the limited scope of the new recommendation but nevertheless supported its acceptance.

Mr. PARDON (France) said that his delegation supported the Norwegian draft recommendation. He added that the policy of his Government in regard to transport insurance was very liberal.

Mr. PARBONI (Italy) pointed out that his delegation had supported the 1955 recommendation (L/462). They were, however, ready to accept the draft Norwegian recommendation in the hope that it would be acceptable to all contracting parties.

Mr. ORRO (Sweden) pointed out that his delegation, at previous sessions, had stressed the great importance which Sweden attached to the question of freedom and non-discrimination in the field of transport insurance. His delegation would have preferred a solution on the lines of the recommendation contained in document L/462. As, however, it did not seem possible to reach agreement on the basis of this recommendation, his delegation was prepared to support the Norwegian compromise recommendation as a minimum requirement. It imposed hardly any obligations and should therefore be acceptable to all contracting parties. The Swedish delegation, however, wished to propose an amendment to the Norwegian draft. After the fourth paragraph of the preamble the following additional paragraph should be inserted: "CONSIDERING, however, that to meet this need recourse should be taken to technical assistance rather than to restrictive measures." Finally, the Swedish delegation felt that it would be valuable if the CONTRACTING PARTIES took steps to invite the technical assistance bodies of the United Nations to participate in the technical assistance work required in this field.

Mr. de la FUENTE LOCKER (Peru) said that his delegation supported the draft recommendation submitted by the Norwegian delegation; they reserved their position, however, insofar as the amendment proposed by the representative of Sweden was concerned.

Mr. GRANDY (Canada) said that his delegation would have liked to see a stronger recommendation. They were prepared to support strongly the Norwegian recommendation, however, in the hope that it would be acceptable to all contracting parties. It was difficult to see why any contracting party should find difficulty in accepting such a mild recommendation.

Mme. PANGALOS (Greece) said that, while appreciating the wish of other less-developed countries to support their national insurance industry by imposing restrictions in respect of transport insurance, the Greek delegation held the view that such restrictions were obstacles to trade. Furthermore, restrictions on insurance could increase the cost of goods being transported. It was felt, therefore, that the owners of goods should be able to insure against loss on the most advantageous terms, and should be free to deal with the insurance company of their own choice. For these reasons, the Greek delegation supported the Norwegian recommendation.

Dr. PORCEL (Cuba) said that his delegation was unable to accept the Norwegian draft. A recommendation of this kind impeded the less-developed countries in their attempts to develop their own national insurance industry. As his delegation had stated on previous occasions, this question had to be considered in the light of the needs of economic development. Cuba's legislation did, in fact, contain provisions which were incompatible with some of the objectives of the proposed recommendation. His delegation was, therefore, unable to support the recommendation.

Mr. MERINO (Chile) said that the views of his Government on this question had been expressed in the past. While appreciating the efforts of the Norwegian delegation, he regretted that his Government was unable to support the recommendation and he would abstain when the vote on the recommendation was taken. His delegation would reserve their position and would again refer the matter to the Government of Chile.

Mr. SCHNEBLI (Switzerland) said that his delegation, which considered that transport insurance should be subject to no restriction on the part of governments, would have preferred the earlier recommendation contained in document L/462. However, as this proposal was not acceptable to all contracting parties, his delegation fully supported the recommendation put forward by the Norwegian delegation.

Mr. ELSON (Federal Republic of Germany) pointed out that, on previous occasions, his delegation had expressed the view that freedom of contract in transport insurance was important in the context of international trade. Every attempt should be made to remove restrictions. His delegation would support the Norwegian recommendation, which seemed to be an acceptable compromise and which met the interests of both importing and exporting countries.

Mr. SWAMINATHAN (India) said that India's views on this question had been expressed on previous occasions; these views had not changed. He might not dispute that if there was complete freedom of action for both buyers and sellers, the possibility of losses might be minimized. His delegation had doubts, however, whether sufficient evidence had been produced during the discussions that had taken place on this subject to justify measures which would limit the ability of governments to require their businessmen to insure with domestic insurance companies. It was important to realize that exporters felt that there was an imbalance in trade relations because of the inadequately developed insurance facilities in their own country. He would also draw attention to other aspects of this question. Firstly, there was a need for the less-developed countries to save on invisibles; insurance charges

represented a significant part of a less-developed country's import bill. Secondly, it was necessary to create local avenues of employment by the development of a domestic insurance industry. He would certainly agree that contracting parties should not create unwarranted difficulties affecting the movement of goods by measures in the field of transport insurance. He felt, however, that it was essential for governments to be able to determine their own line of action. Confidence could be built up in the less-developed countries, not by tying the hands of governments, but by appealing to them to ensure that insurance businesses were built up on sound lines. He would, therefore, suggest that this matter should be brought to the attention of governments without a recommendation being formally adopted. Further, in his view the item should not appear regularly on the agenda. In conclusion, Mr. Swaminathan stressed that his delegation did not agree with any suggestion that governments' discretion in this matter should be limited. His delegation would vote against the adoption of the Norwegian recommendation, and would reserve their position on this issue.

Mr. SPREUTEIS (Belgium) recalled that Belgium had participated in the working party which had met during the tenth session. While his delegation were in favour of the recommendation proposed by that working party they accepted the Norwegian compromise with satisfaction.

Mr. HAUGE (Denmark) said that his delegation considered the Norwegian draft recommendation to be an acceptable compromise and were prepared to vote in favour of it.

Mr. AHMAD (Pakistan) said that the representative of Norway had raised a general point of importance relating to procedures for finding a solution to problems on which there was a difference of view among contracting parties. He was not convinced that the correct procedure in a case like this was to force the matter to a vote; a number of contracting parties were dissatisfied with the draft submitted by Norway, some because they wanted to have a more effective recommendation and others because they thought the draft already went too far.

A general issue of great importance had been raised by the draft recommendation; this was whether or not services should be brought within the scope of the General Agreement. If this were to be done there were a number of services, inter alia, shipping and discriminatory freight rates, which Pakistan and other countries considered were obstructing the expansion of trade to a much greater extent and which deserved prior attention. If it were decided to bring services within the framework of the General Agreement, the CONTRACTING PARTIES should turn their attention to drawing up a list of priorities. Mr. Ahmad requested the CONTRACTING PARTIES to reconsider the position and not to try to reach a decision at this meeting. If it were decided to come to a decision, the delegation of Pakistan would oppose the recommendation as their Government reserved the right to take any necessary measures to develop their national insurance industry.

Mr. CUHRUK (Turkey) said that no restrictions on freedom of contract in transport insurance were imposed under Turkish legislation and that foreign and international insurance companies had possibilities of free access to the Turkish market. Because of balance-of-payments difficulties, however, it had been necessary to impose certain limitations on this freedom; for example,

Turkish importers had been recommended to insure merchandise as far as possible with national firms. Such restrictions, which were relatively unimportant, were imposed by Turkey solely in order to save foreign exchange and so were not restrictive or discriminatory within the meaning of the General Agreement which permitted the application of exchange restrictions for balance-of-payments reasons.

Mr. Cuhruk said that it should be recognized that less-developed countries were interested in the encouragement of national insurance industries. The draft recommendation submitted by the Norwegian delegation had in fact taken this into account in the last paragraph of its preamble. The Turkish delegation considered too that the provisions of this draft would not prevent the application of restrictions for balance-of-payments reasons and it was on this understanding that they accepted the draft recommendation.

Mr. BRONDI (Uruguay) said that his delegation regretted that they could not associate themselves with the draft recommendation put forward by the Norwegian delegation and, for the time being, would reserve their position.

Mr. VALLADAO (Brazil) said that the contracting parties already knew the attitude his delegation had taken when this question had been discussed on previous occasions. From the outset they had had serious doubts as to whether or not it was opportune to put forward any resolution on this subject and they could see no reason to justify a change in this position. Like the representative of Pakistan, they felt that there were other more serious obstacles to international trade which should be given prior consideration by the CONTRACTING PARTIES. The Brazilian delegation would not therefore be able to join in accepting the draft recommendation proposed by the Norwegian delegation.

Mr. DUHR (Luxemburg) said that his delegation would support the compromise proposal of the delegation of Norway.

Mr. AUNG SOE (Burma) said that restrictions on transport insurance were not imposed in Burma. His Government might wish to reconsider this position at a later stage however, and he would therefore require to reserve his position if a vote were taken.

Mr. SUBARDJO (Indonesia) said that his delegation had studied the Norwegian recommendation with interest. After hearing the views of the representative of India, however, they were of the opinion that Indonesia must vote against the recommendation.

Mr. MARTINS (Austria) said that his delegation was in favour of the draft recommendation put forward by the Norwegian delegation.

Mr. JARDINE (United Kingdom) said that, in the view of his delegation, the draft recommendation put forward by Norway gave recognition to the desire of countries in process of development to foster insurance undertakings as part of any general development programme. These countries need not fear, therefore, that their freedom in this respect would be limited if they subscribed to the recommendation, which was in fact merely an expression of opinion, that countries should endeavour to avoid using measures which could have a restrictive effect on international trade. It has been suggested by some delegations that as tariff and quantitative restrictions had the same effect,

it was unreasonable to argue that restrictions on transport insurance were to be regretted because they raised costs. A distinction should be drawn between restrictions on transport insurance and other devices. Quantitative restrictions were outlawed by the General Agreement except under specific conditions and while tariffs were permissible much of the work of the CONTRACTING PARTIES had been directed towards their reduction. Restrictions on transport insurance, however, represented an addition to costs which was not subject to control or negotiation. As the representative for Turkey pointed out, governments were not precluded from maintaining restrictions on overseas payments for transport insurance transactions to the extent that these restrictions were recognized by the International Monetary Fund as necessary for balance-of-payments reasons.

The United Kingdom delegation considered that it was quite reasonable to deal with this question in isolation and did not agree with the view that the CONTRACTING PARTIES should be precluded from dealing with the question merely because they were not at the same time dealing with a number of other matters of particular concern to certain contracting parties. It was hoped that the CONTRACTING PARTIES would give a positive vote to the draft recommendation put forward by the Norwegian delegation.

Mr. FISK (United States) said that the subject of freedom of contract in transport insurance was a matter of serious concern to his Government. The CONTRACTING PARTIES were not concerned with insurance on carriers but with insurance on the merchandise in transit. The United States considered that restrictions on the purchase of insurance on merchandise in transit interfered with the free flow of world trade and that international trade was best served under conditions where exporters and importers were free to decide which party would purchase the insurance coverage and in which country the coverage would be purchased. The United States considered that the resolution drafted at the tenth session represented useful action that might be taken in this field. Although the proposal of the Norwegian delegation did not go as far as the United States had hoped would prove possible, it gave recognition to the importance in international trade of freedom of contract in transport insurance and provided the CONTRACTING PARTIES with the means to maintain a continuing interest in the subject. The United States delegation would therefore vote in favour of the Norwegian recommendation.

Mr. ABBAN (Ghana) said that his Government did not at present impose any restrictions on freedom of contract in transport insurance, but as his Government did not wish to assume any commitments which might affect development programmes in future, his delegation would require to reserve its position.

Mr. KOCH SAN (Cambodia) pointed out the importance to less-developed countries of saving foreign exchange. Cambodia was in process of examining the possibility of establishing a national insurance business and his delegation would therefore reserve its position.

The CHAIRMAN pointed out that the recommendation, if approved, would not commit any contracting party to any extent more than it considered appropriate. He asked whether the Swedish delegation wished to press their proposed amendment to the Norwegian draft as their views would, in any case, be noted in the record of the discussion.

Mr. ORRO (Sweden) said that his delegation would not press the amendment he had previously proposed.

The CONTRACTING PARTIES approved the recommendation by twenty-two votes in favour and seven against. There were four abstentions.

Mr. ANDERSON (International Monetary Fund) recalled the International Monetary Fund's interest in the exchange aspects of restrictions affecting freedom of contract in transport insurance, as part of the Fund's general interest in exchange restrictions. He asked that the Fund should be kept informed of the CONTRACTING PARTIES' activities in this matter.

2. Australia/Papua-New Guinea Waiver (W.14/18)

The CHAIRMAN recalled that, at the thirteenth session of the CONTRACTING PARTIES, (SR.13/21), it had been agreed that it was not the intention of the CONTRACTING PARTIES, when granting the waiver, allowing Australia to accord special customs treatment to products of Papua - New Guinea, that the waiver should preclude the increase of most-favoured-nation rates in cases where only the primage duty was bound in the Australian schedule. It was agreed that, at the present session, the CONTRACTING PARTIES would examine the waiver with a view to bringing it into conformity with their intentions. The Australian delegation had proposed an amendment (W.14/18) to the waiver which would accomplish this purpose. If the proposal was approved in principle, a draft decision would be submitted to the CONTRACTING PARTIES for adoption before the close of the session.

The Australian proposal was approved in principle.

Mr. CURRIE (Australia) said he would like to take the opportunity of advising the CONTRACTING PARTIES that the Australian Government had at present certain other aspects of the waiver under consideration. Proposals in connexion with any further amendments which the Australian Government might consider it desirable to seek would be notified to contracting parties in advance of the fifteenth session.

3. Chilean Import Charges (L/990)

Mr. ELSON (Federal Republic of Germany) said that, in its report (L/990), the working party had recommended to the CONTRACTING PARTIES that the provisions of paragraph 1 of Article II should be waived to the extent necessary to allow the Government of Chile to maintain surcharges additional to the import duties provided for in Schedule VII. In making this recommendation, the working party had taken account of the progressive deterioration in Chile's economic, monetary and budgetary situation and the growth of inflation. It had noted that the introduction of the remedial measures which the Government of Chile had felt it necessary to take would be accompanied by substantial changes in Chile's foreign trade policy. This policy would be implemented progressively and would aim at the elimination of all import restrictions. Mr. Elson pointed out that the proposed surcharges on imports, which would not exceed 200 per cent, would be progressively reduced and finally eliminated before 1 January 1961. The procedures of Article XXII and XXIII were available to other contracting parties if they considered that damage to their trade was threatened or caused by any unduly restrictive imposition of the surcharges.

The CONTRACTING PARTIES approved the decision by thirty-two votes in favour and none against.

4. Nicaraguan Import Charges (L/983)

The CHAIRMAN drew attention to document L/983. This contained a communication from the Government of Nicaragua explaining the reasons for the introduction of temporary increases in its customs tariff, including increases of duty on items bound in the Nicaraguan schedule, and requesting the

CONTRACTING PARTIES to grant Nicaragua a waiver from its obligations under Article II of the General Agreement. The increased rates had been introduced provisionally in April 1959. The Chairman said that a further communication had been received from the Nicaraguan Government advising that unforeseen difficulties had made it impossible for Nicaragua to be represented at the present session and requesting the postponement of substantive discussion of this item until the fifteenth session.

Mr. FISK (United States) said that his Government regretted that Nicaragua had considered it necessary to make tariff increases and to take action in advance of any consideration by the CONTRACTING PARTIES of the breach of Nicaragua's GATT obligations which resulted from the fact that approximately forty items subject to increase had been bound in GATT. His delegation were pleased, however, that Nicaragua had brought this problem to the attention of the CONTRACTING PARTIES and hoped that Nicaragua would co-operate fully in the consideration which the CONTRACTING PARTIES would wish to give to the problem. In the circumstances, it appeared to his delegation that the best way to proceed would be for the CONTRACTING PARTIES to refer the question to a working party.

The CHAIRMAN said that he would suggest procedures for the consideration of this problem on the following day.

5. United States Import Restrictions on Lead and Zinc

The CHAIRMAN recalled that the CONTRACTING PARTIES agreed on 11 May (SR.14/1) to grant an extension of the time-limit in paragraph 3(a) of Article XIX in connexion with consultations between the United States and certain contracting parties regarding United States import restrictions on lead and zinc. A draft decision, prepared by the Executive Secretary had now been distributed in document W.14/22.

Mr. GRANDY (Canada) said that, while he did not wish to object to the wording of the draft decision, he would point out that in the first line of the second paragraph of the preamble were the words: "in order to permit the continuance of consultations". He would like it to be noted that the formal consultations envisaged in Article XIX had not in fact started.

Mr. CURRIE (Australia) said that his delegation supported the statement made by the representative of Canada.

Mr. PEREIRA (Peru) said that his delegation wished to associate themselves with the comments regarding consultations which the representative of Canada had just made.

The CONTRACTING PARTIES approved the draft decision by twenty-eight votes in favour and none against.

6. Article XXVIII Negotiations - Extension of Closing Date (W.14/21)

The CHAIRMAN drew attention to document W.14/21 in which the Executive Secretary had reported that some contracting parties had still not completed the renegotiations for the modification or withdrawal of concessions which they had notified, pursuant to the provisions of Article XXVIII, prior to 31 December 1957. The closing date for the completion of these negotiations had been extended on three occasions and the delegations concerned had asked for a further extension.

Mr. BOTHA (Union of South Africa) said that he wished to inform the CONTRACTING PARTIES that the negotiations for the modification or withdrawal of concessions initiated by South Africa in 1957 had recently been completed. Although South Africa's own negotiations were completed, his delegation supported the proposal for an extension of the time-limit, in view of the length of time which was necessary to complete negotiations of this kind.

Dr. PORCEL (Cuba) said that Cuba would be conducting negotiations under Article XXVIII in the near future. He therefore supported the proposal for a further extension of the time-limit.

The CONTRACTING PARTIES agreed that there should be a further extension of the closing date to the end of the fifteenth session.

The meeting adjourned at 4.20 p.m.