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CONFERENCE ON TRADE AND EMPLOYMENT

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THIRD COMMITTEE: COMMERCIAL POLICY

SUMMARY RECORD OF THE FIFTH MEETING

Held at the Capitol, Havana, Cuba,
on 4 December 1947 at 4.00 p.m.

Chairman: Mr. D. L. WILGRESS (Canada)

1. CONTINUATION OF GENERAL DISCUSSION OF CHAPTER IV

Mr. NASH (New Zealand) observed that a more equal standard of living for all the peoples of the world was the one problem with which this Conference was faced. Today countries more advanced industrially and economically had a new outlook in their realization and acceptance of responsibility toward the peoples of areas with a lower standard of living; their objective was the utilization and development of the resources of these areas for the benefit of these peoples of those areas, rather than their exploitation as in the past. The present tendency was not to encourage migration to areas having a higher standard of living, though that might be one solution to the problem.

The Draft Charter seemed to him the fairest set of rules yet drafted governing international trade. Within these rules, the main objective should be the sharing of the resources of the world. It had been said that the more industrialized countries had been able to develop their economies because of high tariff protection, but were now placing countries which aspired to industrial development at a disadvantage by advocating the lowering of tariffs. But the maintenance of high tariffs might lead to the development of uneconomic forms of industrialization. He believed that it was possible, within the terms of the Draft Charter, to improve standards of living, and he hoped that restrictive import practices would not be adopted for building up industries.

Since 40 per cent of New Zealand's production was exported, his country was vitally interested in a Charter for international trade which could be signed without qualifications and whose provisions could be observed. He cited the assets, the state activities, and the absence of poverty in New Zealand. New Zealand had instituted exchange control by licensing all imports in order to ensure that they could meet their

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commitments and maintain their monetary reserves. At Geneva his delegation had stated that if their situation was considered to come within the balance of payments provisions, they could agree to the principle of non-discriminatory trade, except for certain preferences already permitted under the Draft Charter.

The quantitative restrictions applied by New Zealand did not restrict the total volume of trade, and merely enabled the Government to ensure that essential goods would be imported.

New Zealand was vitally affected by the subsidy provisions of the Charter in view of its guaranteed price procedure for primary producers, bulk sales contracts and guaranteed wage provision. The Charter permitted the maintenance of such a system. The system of guaranteed prices and bulk sales had resulted in a low cost structure and in a smaller increase in the cost of living than in other countries. Theirs was an economy of expansion, there were no restrictions on production; and the import restrictions which they wished to continue he believed to be covered by Article 12 of the General Agreement and by Article 21 of the Draft Charter.

Mr. MORESCO (Argentina) considered that Chapter IV, as it now stood, tended to consolidate the economies of highly developed countries to the detriment of others. The less developed countries must have freedom to adopt protective measures for development purposes.

Article 16, which embodied the m-f-n principle, included exceptions for the benefit of certain countries and perpetuated discriminatory practices condemned elsewhere. Those exceptions should be made more equitable by the inclusion of complementary economic regions.

His country had proposed modifications to the Charter to ensure that its right of free determination would not be diminished. The functions of the proposed Organization should be limited solely to study, co-ordination and recommendations of an advisory nature.

The Articles regarding quantitative restrictions, balance of payments and exchange arrangements would necessitate joining the International Monetary Fund or the conclusion of a special exchange agreement. Argentina would not fulfil either of these provisions, since its present system of exchange control was required for its economic development and the difficulties of international payments required such regulatory measures.

He referred to Dr. Molinari's statement during the Plenary Session regarding State Trading, explaining that Argentina does not agree with the provisions of the Charter owing to her necessity of maintaining the regulation of her economy.

/The Charter admitted

The Charter admitted the survival of dumping by attempting to regulate it. Every effort should be made to eradicate such practices.

The problem of synchronizing the desires of all countries was complex; during the study of Chapter IV the principle that the right of each country should not exceed the rights of all countries should be constantly kept in mind.

2. DETAILED EXAMINATION OF CHAPTER IV

The CHAIRMAN stated that the first edition of the Annotated Agenda (E/CONF.2/C.3/1), containing 136 items, would be the working paper for the first reading; the second edition would be circulated after 6 December. He proposed there be a first reading of each Article and where there was the wide divergence of opinion, and ad hoc sub-committee could be formed. He stressed that this procedure would not indicate either acceptance or rejection of an Article. There would be a second reading at which time further opportunity would be given for expression of views.

This procedure was approved.

The CHAIRMAN pointed out that the General Committee had recommended that if at all possible the text of the Charter should be made so clear that no interpretative notes would be required; however, if some notes were unavoidable, they should be an integral part of the text of the Charter. (E/CONF.2/BUR.5).

Referring to the first item on the Agenda, the general note concerning Article 16 included in the Geneva report, he mentioned that this appeared as an Annex to paragraph 3 of Article 1 of the General Agreement, which had been signed by twenty-three governments.

Mr. MORTON (Australia) stated it had been found difficult to frame these commercial policy Articles without such notes, and it had been agreed at Geneva that in order to allow for certain administrative procedures, this particular note should be incorporated.

Mr. AUGENTHALER (Czechoslovakia) thought it better to discuss the Article as a whole before attempting to determine whether the note was necessary.

AGREED.

Mr. MORESCO (Argentina) explained that his amendment was submitted in order that Article 16 should recognize the need for preferential arrangements on the part of all member states whose economies complement each other.

Mr. SUETENS (Belgium) thought the first part of the amendment defeated the purpose of the Article in that it advocated a conditional m-f-n treatment rather than an unconditional one. A conditional clause would

/hamper the restoration of

hamper the restoration of a multilateral trade system.

The second part of the amendment was difficult to discuss without considering at the same time other amendments on that subject. He recognized the particular situation of the Latin American countries and of the Arab states, but felt that the Argentine proposal allowed too general an exception. It should be the aim to have a realistic Charter with specific exceptions and conditions, as had been advocated by Mr. Coombs yesterday (vid. E/CONF.2/C.3/SR.4, pages 5 - 6).

Mr. ROYER (France) agreed with the representative of Belgium; like the United States his country had adopted unconditional m-f-n treatment after 1918 and was obligated to it under the General Agreement on Tariffs and Trade. Negotiations for tariff reductions with new members would be based on mutual advantages and reciprocal concessions, under Article 16.

Mr. STUCKI (Switzerland) shared the views of the representatives of Belgium and France concerning the first part of the amendment.

Mr. SHACKLE (United Kingdom) pointed to the proposed addition of the word "member" which would exclude the extension to Members of benefits granted to non-members. He felt this alteration to be fundamental and difficult to contemplate. This view was supported by Mr. ENTEZAM (Iran).

Mr. MULLER (Chile) stated that the decision taken on the amendment to Article 15 submitted by his delegation would govern his action on the Argentine proposal concerning Article 16.

Mr. PARRA (Mexico) while entirely supporting unconditional m-f-n treatment, stated that his position regarding Article 16 as a whole was dependent upon the action taken in regard to paragraph 2.

Mr. GUERRA (Cuba) stated that his delegation would submit an amendment to Article 16 concerning customs classifications as they affected the m-f-n clause. He pointed out that it was possible for a country to introduce discrimination by making a distinction between various types of a product and thus preventing general extension of a reduction granted on any one type.

Answering an enquiry of Mr. ZORLU (Turkey) concerning the interpretation of the term "like product" the CHAIRMAN used the example of two categories of automobile, those weighing less than 1500 kilos and those weighing more than that. A reduction of the tariff on automobiles in the former category would if granted to country X also have to be granted to other countries for automobiles in the same category: but in such a case the term "like product" would not, as he understood it, include automobiles weighing more than 1500 kilos.

/Mr. HAKIM (Lebanon)

Mr. HAKIM (Lebanon) stated the reservation made by his delegation in Geneva applied only to its interest in regional exceptions and did not mean that they disagreed with the principle of the unconditional m-f-n clause. He pointed out that the advantages to be granted in paragraph 1 had to do with customs duties and charges; if advantages granted were of another character, there was no obligation to extend to members concessions made to non-members.

Mr. ROYER (France) called the attention of the future Drafting Committee to the text of the General Agreement which embodied the text of Article 16 of the Draft Charter in improved form.

On a request for clarification of the statement of the representative of Lebanon made by Mr. JIMENEZ (El Salvador) the CHAIRMAN stated that the Article was much broader in scope than the matter of customs duties and he quoted paragraph 1 in full to illustrate this.

The CHAIRMAN stated that as there was no support for the Argentine proposal on paragraph 1 it was now in order to pass on in first reading to paragraph 2. As there were five amendments seeking further preferences and one proposing deletion of a preference he considered that paragraph 2 was suitable for discussion by a sub-committee.

Mr. LLERAS (Colombia) asked whether it would be possible to discuss paragraph 2 of Article 16 at the same time Committee II was discussing Article 15 in view of the inter-relationship of the two. He thought no provision should be made in Article 16 for new preferences if the aim of this Article was, while granting a temporary tolerance to existing preferences, eventually to achieve their abolition. The CHAIRMAN agreed to consult on this point with the Chairman of Committee II.

Mr. JIMENEZ (El Salvador) explained that his delegation sought more than such a temporary tolerance and that his amendment was designed to give recognition to Central American aspirations for unity.

Mr. CHAVEZ (Peru), agreeing with the principle of the m-f-n clause, and recognizing the justifiable and clearly defined exceptions of certain sub-paragraphs of paragraph 2, explained that he had submitted an amendment to delete sub-paragraph 2 (c) relating to special preferences between Cuba and the United States because he had not found justification for the continued preference either in the Article or in an Annex, or in the geographic position and present stages of development; these countries were not aiming at a customs union and had not been ravaged by war; and he thought it would be laudable should these countries not insist on that preference. He also pointed out the difficulty of opposing other more justifiable preferences if the present United States-Cuba arrangement remained in force.

/Mr. GUERRA (Cuba)

Mr. GUERRA (Cuba) replying to the representative of Peru, stated that the Annexes to the Draft Charter were designed to simplify the text and that paragraph 2 (c) did not require a separate Annex.

Paragraph 2 (c) should be viewed in the same light as the other sub-paragraphs. The basic criteria of an economic nature regarding exceptions to the m-f-n clause, were the length of time that the preferences had been established and their specific nature. The United States-Cuban preference satisfied these conditions and had also been of fundamental importance in the economic development of Cuba. The exceptions were not necessarily permanent, and Cuba had entered into negotiations at Geneva in accordance with Article 16.

Moreover, Article 15 was concerned with new preferences, and amendments had been offered to Article 16 sanctioning other new preferences; under those circumstances it would be most difficult to renounce long-standing preferences so economically important at the present time.

Mr. PEREZ (Dominican Republic) thought the Peruvian amendment justified since the preferences in force between the United States and Cuba were detrimental to other countries in the same economic sphere. (Mr. GUERRA (Cuba) on a point of order stated that that preference system was not unilateral.) One of the main objectives of his delegation was to seek just treatment for his country through the abolition of preferences which had retarded its economic development. He pointed out that almost all the islands of the West Indies except his own were part of one preferential system or another. Should the Peruvian amendment be rejected, his delegation would ask that such reciprocal preferences be managed in a way least detrimental to his country and would to that end seek the institution of a preferential arrangement with the United States similar to that now in force between Cuba and the United States.

The CHAIRMAN announced that the next meeting would be held Saturday, 6 December 1947 at 10.30 a.m.

The meeting rose at 7.10 p.m.
