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COMMITTEE III: COMMERCIAL POLICY

SUMMARY RECORD OF THE FOURTH MEETING

Held at the Capitol, Havana, Cuba, on Wednesday, 3 December 1947, at 10.45 a.m.

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

CONTINUATION OF GENERAL DISCUSSION OF CHAPTER IV

Mr. COLOCOTRONIS (Greece) stated his belief that it would be desirable to provide in the Charter for freedom of immigration as well as for freedom of trade to help solve the problem of those countries faced with a surplus of labour. Although he had no specific proposals to make, he would support the Italian delegate's statement on this point.

The Charter seemed to him to be concerned primarily with obligations; in very few instances did it directly note rights and privileges. As an example, he referred to Article 21, paragraph 5, which provided only that the Organization should initiate discussions to consider whether other measures might be taken in the case of a general disequilibrium. He merely wished to raise this point, without making a specific proposal.

The fact that certain customs duties were designed primarily as instruments of fiscal policies, not necessarily for protective purposes, particularly in economically under-developed countries, should be kept in mind when considering Article 17 providing for negotiations directed to the substantial reduction of tariffs.

It had been said that all types of economies had been represented at Geneva. However, he believed there was another category, neither under-developed nor industrialized but what might be termed a fragile economy, of which his country was representative. The economy of Greece was based largely upon two agricultural commodities generally not considered basic necessities. The fact that they were considered luxury products, plus customs and fiscal barriers and state monopolies in other countries, presented considerable obstacles to their export.

Such fragile economies as Greece, dependent upon one or two products dispensable to other countries, should be protected, even to the extent of permitting the use of discriminatory quantitative restrictions.

Mr. DJEBBARA (Syria) felt that the principle of most-favoured-nation treatment established in Article 16 was just, but pointed out that exceptions /had been admitted

had been admitted which would permit the continuation of existing preferential arrangements representing vested interests. However, there were certain countries, within the same economic area, having traditional relationships which should not be overlooked even though these had not been formalized. His delegation had submitted amendments, both in Geneva and here, which would permit the conclusion of new preferential tariff agreements for such economic areas.

His delegation would like to have clarified the obligations new members would assume under Article 17. For example, could a country refuse to negotiate on particular items or raise unbound items for fiscal purposes?

Article 18 required clarification; the principle of preventing the use of internal taxes to nullify tariff concessions was acceptable. But it should not be necessary to accord national treatment in the event there was no national production of the identical product and no specific binding agreement.

Although the elimination of quantitative restrictions was a good principle, it should be possible to use quantitative restrictions for the protection of certain vital industries where tariffs could not accomplish that aim.

As for Article 22, countries which introduced restrictions because they lacked certain currencies should not be prevented from continuing to import from other countries with which they had a favourable monetary balance.

Article 33 should be reconsidered and permissible defense measures against dumping strengthened.

The anti-boycott measures dealt with in Article 39 should be extended and strengthened, but exceptions should be made where the vital interest of a country was concerned.

Specific amendments would be presented at the proper time.

Mr. HAIDER (Iraq), while in full agreement with the basic principles of Chapter IV, felt that tariffs designed for fiscal purposes should not be subject to negotiation, and hoped that a member who had been present at the Geneva Conference and who had been involved in the negotiations leading up to the General Agreement on Tariffs and Trade might clarify the intention of Article 17 in this respect. In particular, would a preferential margin established under Articles 15 or 42 be subject to negotiation under Article 17?

He believed that preferential arrangements between small producing areas having complementary trade would not cause the dislocation which Article 16 was designed to prevent. Customs unions, although permitted under Article 42, required a long time to establish and involved administrative difficulties. Therefore preferential arrangements should be permitted as well as customs unions and supported the Syrian, Lebanese and Turkish proposals in this respect.

/His delegation

His delegation would have an amendment to submit to Article 39 to permit countries to utilize economic sanctions as a defensive measure where their national interest was threatened. The situation of the Arab League at the present time might necessitate resorting to such measures.

Mr. HAKIM (Lebanon) felt that one solution for the handicap of small countries with limited markets was regional co-operation through customs unions, free trade agreements, or preferential tariff agreements. His country knew the difficulties of customs unions and it was doubtful if many would be formed. He would present amendments to Articles 16 and 42 to allow free trade and preferential agreements for economic regions. He saw no reason why the smaller countries should not exchange preferences in order to compete with highly developed countries which did not need them or which might not be ready to reciprocate. Also he urged that boycotts should be allowed where the national interest of a Member was threatened.

Mr. HASKNIE (Pakistan) supported the remarks concerning Article 20 made by the representative of Ceylon. He suggested that under-developed countries should be permitted to protect their resources and to give priority to essential imports.

Mr. GONZALEZ (Uruguay) felt that the argument for quantitative restrictions for agriculture as against industrialized products was prejudicial when it affected countries whose sole source of income was from agricultural products. He felt that the right of a state to protect itself within adequate limits could not be delegated to any international organization.

Mr. STUCKI (Switzerland) felt there was a contradiction between Chapter II and Chapter IV. His country was faced with a problem of exporting merchandise which must be paid for in hard currency and which could be considered as luxury items. He understood the concessions granted to under-developed countries and those with difficulties concerning balance of payments, but he was concerned with the possibility of unemployment in a country whose chief industries were directed towards export. The application of quantitative restrictions by countries permitted to do so under the rule of Article 21 would involve Switzerland in unemployment and thus defeat the provisions of Article 3. His proposal was intended to assist in maintaining employment in the face of such a threat.

He recalled that there had been an international conference twenty years ago which had sought to reach agreement on the abolition of prohibitions. This Conference had produced a general and simpler formula in contrast to the complexity of the Articles of the draft Charter. This complexity was a most serious obstacle to ratification by parliaments. He wished to substitute such a general provision for the whole of Articles 21 to 24.

/Mr. RICHARD (France)

Mr. RICHARD (France) stated his government had approved the General Agreement, which contained almost all of the Articles of Chapter IV of the Draft Charter, and he stressed the provisional nature of the Agreement. He pointed out that one of the essentials of the Charter was the evaluation of the balance of payments problem which would give rise to quantitative and emergency restrictions; this evaluation was left to the ITO which would follow the opinion and advice of the International Monetary Fund. Here was a new problem in that certain countries were not members of the Fund. What organization would have the task of evaluating their situation? The autonomy of the Organization had not been clarified. If there should be one vote to every member, he would not oppose that but this would be in conflict with the weighted voting system of the Fund.

Mr. DEJOIE (Haiti) reserved the position of his delegation concerning Article 16. The twelve countries in the Central American trade zone sought a preferential system. Their customs tariffs were for fiscal purposes and there had already been some reduction on materials required for industrial development and there would be others when their system of taxation had been developed.

Mr. AZIZ (Afghanistan) drew attention to the vital problem of transportation as it particularly affected his country because of its special geographic position. He would submit amendments to Article 35 asking for rate reductions or "free zones". He would also submit amendments concerning "breaking of bulk".

Mr. COOMBS (Australia) admitted the complexity of Chapter IV. His government was prepared to accept the obligations of Chapter IV provided that Members carried out the obligations of the other Chapters, particularly those relating to employment. Should the conditions of 1929 and the following years prevail, he did not pretend that it would be practicable to carry out the commercial policy provisions and his government would seek a review of their obligations by the ITO in accordance with the provisions of the Charter. His country would abide by the decision of the Organization should review be sought.

It seemed to him that some representatives did not understand the intent of Article 17. It was true that the Article required negotiations toward the reduction of tariffs and the elimination of preferences, but if the experience of Geneva was a criterion, reassurance could be offered as to its operation.

His country, looking forward to considerable industrial development, had gone to Geneva determined to protect that policy and to use protective devices for that purpose. Accordingly, requests received for reduction of tariffs were scrutinized, and when they were not consistent with Australian

/development

development policy, were rejected.

In some cases minor concessions were made; in others it was stated they were not prepared to bind the items, and thus they preserved the freedom necessary to raise the rates when future development was contemplated. Australia preserved its freedom of action and itself decided what items were negotiable.

Under the General Agreement bindings were not permanent. After three years, it was possible to unbind a particular item without terminating the agreement as a whole.

There was also provision in both the General Agreement and the Charter for a country to seek release from obligations before the end of the three year period, provided the concurrence of all parties was obtained. The ITO would use its good offices in such circumstances. If a tariff was for revenue purposes there was, as in the case of an industry, subject to future development, reason for withholding negotiations on that item. Even when an item was bound, the duty could be increased for revenue purposes provided a comparable duty was imposed on the same domestic product.

He considered tariffs the simplest protective device in the majority of cases of industries undergoing development. In some instances, however, quantitative restrictions might be the most efficient and least restrictive, but these were so few they should have the prior approval of the ITO. Australia was prepared to accede to this.

The argument for regional preference arrangements for economic development had merit in some cases, but under Article 15 preferences for this purpose were permissible with the prior approval of the Organization.

Concerning the point raised by the representative of Pakistan regarding the establishment of priorities on imports, he felt this would come under Article 21 because such priorities would be necessitated by the very lack of foreign exchange envisaged in that Article.

The problem posed by the representative of Switzerland was difficult and complex and should be studied with the same concern as those problems affecting the under-industrialized countries. Mr. Coombs could not believe there was a contradiction between Chapter II and Chapter IV. As he understood it, Switzerland was a hard currency country and had a positive balance on current account, but because of limitations placed upon its exports by other countries it was faced with a possibility of unemployment, the method of resolving this was provided in Chapter II. A country which stimulated internal purchasing power in order to sustain effective demand, might incur balance of payments difficulties. However, the Swiss economy was not in this position at present. To deal with the situation envisaged

/by the Swiss

by the Swiss representative by drafting the Charter in more general terms would allow a wide range of independent action leading to abuse.

He felt it would be far better to consider the problem in detail and decide what specific provisions could be introduced into the Charter to deal effectively with the situation, affording a maximum relief to Switzerland with a minimum of harm to other countries.

Mr. D'ASCOLI (Venezuela) was in agreement with those delegates who felt that the exemptions from general principles to cover particular situations, e.g. those to be found in Articles 16, 18, 19, 20 and 26, would have to be admitted for countries defending their new industries or protecting their national incomes, but he could not understand why the prior approval of the Organization was required for some and not for others.

He strongly supported the need for preferential arrangements for such groups of countries as the Near East, Central America, other Latin-American countries and other geographic regions.

He would like a clarification of the position regarding the raising of tariffs after negotiations had been carried out and he referred to the terms of Article 1, paragraph 4, which could be involved as ground for a complaint under Article 89. He also requested the amplification of Article 21 to cover further contingencies.

The CHAIRMAN stated that the general discussion would be closed after hearing the representatives of New Zealand and Argentina at the next meeting.

The next meeting would be held Thursday, 4 December 1947 at 4.00 p.m.

The meeting rose at 1.15 p.m.
