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THIRD COMMITTEE: COMMERCIAL POLICY

SUMMARY RECORD OF THE SIXTH MEETING

Held at the Capitol, Havana, Cuba, on 6 December 1947 at 10.30 a.m.

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

CONTINUATION OF GENERAL DISCUSSION OF CHAPTER IV

The CHAIRMAN stated that since the first addition of the Annotated Agenda had been issued, additional amendments to Article 16 had been submitted by Chile, Ecuador, Colombia and Italy. He said that these, and other amendments, would be taken up in the course of the discussion.

Referring to the announcement made at the last meeting of the Committee that all proposals on Articles 15, 16 and 42, should be referred to a joint sub-committee of Committees II and III, he stated that the Chairman of Committee II was in favour of this proposal and would consult his Committee. These proposals would, therefore, be referred to that joint sub-committee when the discussion of these articles had been concluded.

Mr. DOMOND (Haiti) considered that the provisions of Article 16, paragraph 2, were opposed to the spirit of the Charter. Paragraph 1 of Article 17 provided for the elimination of preferences which could, in certain circumstances, be justified, but which generally did not conform to the concept of equality in International Trade. Where a system of preference prevails between certain countries, their markets no longer offer opportunities trading on equal terms to countries outside that preference.

Haiti asked only that preferences given to Cuba, which constituted protection for young industries, be extended equally to all countries in the Caribbean area and proposed the following amendment of sub-paragraph (c):

Article 16, paragraph 2 (c)

"Preferences in force exclusively between the United States of America and which on the date of signature of the Charter shall enter into force between the United States of America and other States of the Caribbean area or such preferences as the State of the Caribbean area may grant one another."

Mr. AUGENTHALER (Czechoslovakia) drew attention to the fact that about two-thirds of the countries represented at the Conference already have, or /stated their

stated their intention to obtain the benefit of preferential regimes. He supported the amendment put forward by the representatives of Lebanon and Syria, adding that Czechoslovakia found herself in a similar situation.

Mr. CHAVEZ (Peru) pointed out that, in his opinion, Cuba derived great advantages from the preferences given her by the United States; whilst he did not seek to deprive Cuba of these advantages, he wished to see them extended to his own country; there was resentment in Peru against these preferences, and the statement of the representative of the Dominican Republic has brought out the effects of such preferences and discriminations upon the economy of other countries. The length of time during which preferences had been in force did not justify their maintenance.

He could not support the amendment submitted by the delegate of Haiti which did not offer a solution for his country.

He shared entirely the views of the representative of Czechoslovakia regarding the undesirability of preferential treatment, and said he was opposed to the system as a whole; all such preferential treatment should be gradually eliminated and any which could be eliminated immediately should disappear.

Mr. SEIDENFADEN (Denmark) stated that the Scandanavian countries had always been closely connected in their economic policies and that for the last twenty-five years a Scandanavian Preference Clause had been inserted into Trade Agreements with other countries. Customs unions referred to in Article 42 might not be feasible for some considerable time. If the text of Article 15 were certain to cover the Scandanavian countries, Denmark would agree to put the problem before the Organization. He wished to put on record the special interest of the Scandanavian countries in Article 16, paragraph 2.

Mr. GUERRA (Cuba) pointed out that the statements made by the representatives of Peru and the Dominican Republic tended to create the impression that the preferential treatment in force between Cuba and the United States was directly responsible for the undeveloped and backward conditions prevailing in those countries. He did not consider that the relations between Cuba and the United States injured the economies of either the Dominican Republic or Peru, and an historical analysis would prove that contention to be unfounded.

The sugar industry of Cuba had not been developed by the preferences with the United States markets, although a high proportion of the output did go to the United States by reason of their geographical proximity and economic relationship.

He drew comparisons between the growth of the sugar trade in Cuba and
/in the

in the Dominican Republic and Peru during the last hundred years. Cuba had an annual output of half a million tons before the existence of a sugar industry in either of these countries. The development of this industry in Peru was even more recent than in the Dominican Republic, and he failed to see how the relations existing between Cuba and the United States were responsible.

The inaccuracies contained in the proposal put forward by the representative for Peru were in contradiction to the spirit of the Latin American countries, which should be one of common interest. It should not be jeopardized by untrue interpretations of various economic factors. Accordingly, in Geneva, Cuba had supported the proposals made by the representative of Chile in connection with Article 16.

The Conference was concerned with general principles. There were other preferential arrangements for whose deletion an agreed case could be made. The Conference could not produce a positive result, if any given country were guided merely by its own specific interests.

Mr. MULLER (Chile) reviewed the various amendments to Articles 15 and 16 and stated that his delegation would advocate general provisions for preferential arrangements on a regional basis rather than the specific provisions of paragraph 2, Article 16, for the reason that, within the purposes of the Charter, provision should be made for all, and the present preferential arrangements, including those of his own country, were too limited to attain the expansion of trade envisioned by the Charter. It was possible to use the same arguments for establishing preferences for economic regions as for customs unions. But, in certain cases, customs unions might destroy similar forms of production, whereas regional economic arrangements could develop complementary industries mutually beneficial to the countries involved. Such arrangements would allow a group of countries to use their hard currency to procure other necessities not available within their area. When this principle of economic regional preferences had been settled, draftings would be a simple matter.

The CHAIRMAN stated that after delegates who had asked to speak on this question had been heard, the general discussion on Chapter 16 would be closed.

Mr. HAKIM (Lebanon) read out the text of an amendment concerning economic regional preferences submitted on behalf of Afghanistan, Egypt, Greece, Iran, Iraq, Lebanon, Syria, Transjordan and Turkey. (See document E/CONF.2/C.3/1/Add.28).

/Mr. ROYER

Mr. ROYER (France) did not think the matter of preferences was simply a question of tolerating mutual sins. The purpose of the Charter was laid down in the unconditional most-favoured nations clause; exceptions had been included since rigid and automatic application of that clause had previously led to failure. His delegation had submitted an amendment to Article 1, paragraph 4, designed to liberate trade in economic regions, areas greater than political regions.

The development of large, integrated markets would be a positive contribution to international trade; therefore, exceptions designed to that end should be received with more sympathy than was evinced in paragraph 1, Article 16. The de facto situation of existing preferences must be recognized. As to future preferential arrangements for economic regions, France in principle favoured regional organization but with the prior approval of the Organization, as a means of protecting third parties.

He proposed a new sub-paragraph (e) to be added to paragraph 2 of Article 16:

"(e) preferences resulting from exceptions to Chapter IV, granted by the Organization under Article 15 or Article 42."

and to alter the text of paragraph 2 as follows:

"----under paragraph 2, sub-paragraphs a - d of the present Article".

Mr. Royer agreed with the remarks of the representative of Denmark concerning customs unions; and noted that Articles 15 and 42 could not be separated when preferential arrangements in general were being considered.

Mr. ADARKAR (India) supported the amendment for regional preferences proposed by the delegations of the Middle-Eastern countries. The merits of the preferential arrangements set forth in paragraph 2, Article 16 should not be confused with the requests for regional preferences designed for economic development. The smaller countries would be frustrated in their plans for economic development without some protective preferences, and tariffs did not meet that need.

India's commercial policy had always been based on unconditional most-favoured-nations treatment; but his country was able to support these regional preferences asked for since they did not violate the principle of equality of treatment. The countries involved were in the same stage of economic development. On the other hand, some of the preferences set forth in paragraph 2 were discriminatory, since they involved relationships between highly developed and under-developed countries. It had appeared in London and Geneva that the principle of regional preferences had been agreed upon and that the only difficulty was procedure; that question

/should be dealt

should be dealt with by a sub-committee. The question of the reduction or elimination of preferences set forth in paragraph 2 should not be dealt with on the same level as the question of regional preferences for economic development.

Mr. ZORLU (Turkey) stated that his delegation would withdraw its amendment if the amendment submitted this day by the countries of the Middle East was accepted.

Mr. DJEBBARA (Syria) did not question the principle of preferences or ask the majority countries to give them up, but he did ask that the minority be given some hope or at least the appearance of equality, some safeguard to develop slowly within the framework of the Organization. He could not agree with the delegate for France on the question of prior approval.

Mr. LLORENTE (Philippines) stated that no country's economy should be based on an unstable product, dependent entirely upon the will of the consumer. The Draft Charter seemed to tend toward equality and mutual understanding for the benefit of all, but it must always be kept in mind that the foundation was the principle of equality and co-operation; not simply parliamentary rules. His country believed that political and economic independence should be simultaneous, but had been realistic enough, without sacrificing honour, to accept certain economic dicta in order to have their political independence recognized.

He subscribed to the views of the representative of Chile that a lasting plan be evolved; a permanent Organization must not permit special privileges; it must be designed for the welfare of the whole, and each nation must be prepared to make sacrifices for that principle.

The CHAIRMAN stated that general discussion in Article 16 would be concluded at the next meeting: Monday, 8 December 1947, 4 p.m.

The meeting rose at 1 p.m.
