

THIRD COMMITTEE: COMMERCIAL POLICY

SUMMARY RECORD OF THE SEVENTH MEETING

Held at the Capitol, Havana, Cuba,  
on 8 December 1947 at 4.00 p.m.

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

CONTINUATION OF DEBATE ON ARTICLE 16, PARAGRAPH 2.

Mr. CEIRIBOGA (Ecuador) pointed out the importance to his country of trade relations with Colombia, Panama and Venezuela, and of the benefits to be derived from preferential agreements with these countries. There was a preferential system in existence between his country and Colombia and as a result the export of rice and import of manufactured goods were greatly facilitated. He hoped this system would be extended to include Panama and Venezuela, as it would contribute materially to the prosperity of both countries.

It was significant that forty of the countries represented at the conference considered the system of preferential treatment indispensable to profitable world trade.

Mr. DOMOND (Haiti) observed that, so far, the amendment submitted by Haiti had only been opposed by the representative from Peru. He thought the Committee appeared to be in favour of preferential treatment, but that in view of the difficulties encountered in Article 16 a sub-committee should be nominated to discuss all the views and amendments expressed and proposed. It would also be very helpful if the United States representative would give his views on the question of the United States - Cuban preferential system.

Mr. HAIDER (Iraq) considered that the most favoured nation clause was the right principle on which international trade should be based. It would be just and fair, if nations were equally developed and equally large, but this was not the case. Certain exceptions should therefore, be allowed to conform with the complexities of the situation, and to ensure more equality to less favoured countries.

There were well developed countries with large organized industries and wide markets, and undeveloped countries, under-industrialized and possessing only narrow markets.

/The developed

The developed countries had reasonably stable internal and external markets; they could compete more favourably at home and abroad and were protected by internal tariffs. In addition, some countries had enjoyed a preferential treatment on a reciprocal basis outside of their own countries.

In many of the undeveloped countries there were native industries insecurely established. These could, by protection, be given certain advantages in their own local markets. If sufficient protection could be given to smaller industries to allow of their full growth, it would benefit the world as a whole.

Under Articles 15 and 42 new preferential arrangements were subject to approval, through the Organization, by the large and developed countries which were enjoying preferences themselves. He was in wholehearted agreement with the amendment submitted by the representatives of Syria and the Lebanon.

Mr. POLITIS (Greece) supported the proposal submitted by the representative of Lebanon, concerning preferential arrangements for the Near and Middle East.

The question was whether preferential arrangements were beneficial, in which case they should be extended, or whether they were detrimental to world-trade, in which case they should be abolished.

The provisions of the Charter accepted the principle of preferences and sanctioned some of them; and it also recommended the formation of customs unions. The Marshall plan was a recent example that regional arrangements were considered desirable. In the countries of the Near and Middle East close economic ties had been in existence for centuries.

Mr. BRIGNOLI (Argentina) explained the amendments to Article 16 submitted by his delegation (document CONF.2/C.3/11/Add.3).

His delegation advocated the adoption of the most favoured nation clause in its conditional form.

After further observations to paragraph 1 of Article 16 the CHAIRMAN intervened and asked the speaker to confine his remarks to matters relevant to paragraph 2 which was the subject of the discussion.

Mr. BRIGNOLI (Argentine) held that paragraphs 1 and 2 of Article 16 could not be separated, and a certain reference to paragraph 1 had been necessary to clarify his provision with regard to paragraph 2.

He advocated that the principle of the preferential treatment should be extended to all Member States on terms of equality and without discrimination.

Mr. COOMBS (Australia) pointed out that his country had been part of a preferential system for a long time; the acceptance of this Article would mean a departure from Australia's established commercial policy.

These preferences had helped certain industries to grow and develop, and these industries were largely dependent on them.

/Preferential

Preferential arrangements had to remain in operation for a time while countries which were parties to them reorganized their economies; this was merely a recognition of economic facts. Preferences had developed as tariffs and quantitative restrictions were being established, and the elimination of preferences must keep pace with the removal of those barriers. Australia was in sympathy with other members who had stated their needs, and considered there was justification for the establishment of new preferences, in specific instances especially in the case of small countries seeking to establish industries in inadequate markets. These special cases, however, required study before application and should be subject to the approval of the Organization; the two-thirds majority was a technical one, and certain other effects should be studied before a decision was reached as to whether this majority was a fair and proper one.

He did not favour the proposals for preferential arrangements on a regional basis. Such arrangements should be considered in respect of individual articles, commodities and industries. For regional arrangements the provision of Articles 15 and 42 were adequate.

Mr. AZAR (Egypt) said that although the Preparatory Committee had sanctioned a number of preferential arrangements, they had failed to include preferences between the Arab League countries. Such preferences were necessary for the expansion of their trade.

Mr. SHACKLE (United Kingdom) felt that much depended upon the form, scope and character of proposed new preference arrangements. Small units made for a lesser volume and a less balanced flow of trade, but the advantage of larger units was conditional on changes and adjustments being made.

The Draft Charter favoured the formation of customs unions, where they were no internal barriers rather than preferential arrangements, where internal barriers did not disappear.

The Draft Charter provided for scrutiny of proposed preferential arrangements by the Organization, which would take into account all relevant circumstances. It would be better not simply to apply the regional principle along, but, as the representative of Australia had pointed out, to allow preferences rather industry by industry. The interested countries should have concrete, specific proposals to place before the Organization.

Some of the exceptions of paragraph 2, Article 16 were of long standing and had established patterns of trade which could not be quickly changed; within these systems new preferences were not to be established and the existing ones were subject to a progressive reduction or elimination. This was an important substantive matter for the countries concerned to accept. If the creation of new preferences were not subject to examination by the Organization, the position would have to be reexamined.

/Mr. ABAD

Mr. ABAD (Panama) supported the statement submitted by the representative of Ecuador.

Mr. GONZALEZ (Uruguay) stated that the antithesis of the purposes of the Charter was the exception founded on nationalism, regionalism or on political motives. Of these the preference arrangements between the United Kingdom and others concerning meat and cereals, found in paragraph 2 (a) of Article 16 and repeated in paragraph 5 (b) of Article 23 were of direct concern to his country, since they had resulted in a reduction of fifty per cent in its exports to the United Kingdom.

The immediate abolition of all preferences was not requested, but it was noted that the Charter stabilized a preference which at the present time was suspended. The sub-committee should not only find the formula for future preference arrangements, but should take into consideration the de facto situation of a country when preferences were suspended.

Mr. LEDDY (United States of America) was in accord with the principle of eliminating preferences, both existing and new ones, because they tended to reduce and distort trade, reduce the world's wealth and give rise to international political friction. The present exceptions had been accepted since it was recognized that their immediate elimination would have created economic and political difficulties.

If the provisions of Article 16 and 17 were accepted, it would be the first time there had been a complete limitation of that nature and agreement to undertake negotiations toward the reduction of preferences.

The forty-five year old preference between Cuba and the United States should be considered on the same basis as other exceptions in paragraph 2, Article 16 and subject to reduction in accordance with Article 17.

Economic regional preference arrangements were not a promising device for economic development. Special circumstances justifying such an arrangement should be submitted to the Organization for its decision as to the net gain to world trade, otherwise the whole object of eliminating preferences would be undermined.

Mr. JIMENAZ (El Salvador) thought that the special situation of the Central American countries should not be confused with other proposals: without some preferences Central America could not exist.

The five Central American countries were separated primarily by lack of communication; as a consequence eighty per cent of El Salvador's exports had gone to the United States - only ten per cent to her neighbouring countries. In order to stimulate new industries, with the present expansion of communications, some preference was necessary.

Concerning the statements made by the representatives of the Dominican Republic and of Peru regarding the preferential agreement between the United States and Cuba, the problem was quite complex: the preference was not

/the cause

the cause but the effect. Perhaps the Committee should suggest the immediate organization of a study group regarding the sugar problem.

Mr. D'ASCOLI (Venezuela) supported the proposals of Colombia and Ecuador regarding preferential arrangements. He warned against statements which might lead to the belief that the countries represented on the Preparatory Committee were better placed than those who had later joined the Conference. Such statements gave the impression without intending it, that the status quo was being protected.

Mr. CHANG (China) supported the intent of paragraph 1 of Article 16 and recognized the necessity for the exceptions in paragraph 2, but pointed out that there was no time limit set for their abolition provided for in Article 17. Paragraph 2 of Article 16 legalized and perpetuated for an indefinite time the preferential arrangements, although they were subject to negotiation. It did not seem not fair or equitable to preclude new proposals.

The sub-committee should note that under Article 17 the Organization could request the elimination of new preferences at any time. Paragraph 2 of Article 16 might become the rule rather than the exception, thus nullifying the principle of the unconditional most-favoured-nation clause. The sub-committee should be asked to study the conditions for new preferences, the general rule rather than specific proposals. The conditions applicable to existing and to new preferences should be the same.

The CHAIRMAN asked whether the Committee wished (a) to postpone reference to a joint sub-committee of Committees II and III after the discussion of Article 15 had been concluded or (b) to establish a sub-committee only of Committee III to consider Articles 16 and 42 later to become a joint sub-committee of Committees II and III. On a suggestion of Mr. MULLER (Chile) the Chairman stated he would discuss further the possibility of Committee II taking up Article 15 at an early date, but it appeared difficult at the present time.

Upon the suggestion of Mr. LEDDY (United States of America), supported by Mr. MELANDER (Norway), it was agreed to defer setting up a sub-committee until a joint-sub-committee of Committees II and III could be formed.

The CHAIRMAN, taking into account suggestions made by Mr. ZORLU (Turkey), Mr. BLUSZTAIN (Poland), Mr. SHACKLE (United Kingdom) and of Mr. LLERAS (Colombia), suggested the terms of reference for the Sub-Committee as follows:

To Consider and submit recommendations to both Committees regarding Articles 15, 16 (2) and (3) and 42 and the relevant proposals and amendments submitted in relation thereto with a view to finding a solution of the question of new preferential arrangements, /including those

including those for purposes of economic development and reconstruction, and of the maintenance of existing preference as an exception from the most-favoured-nation clause.

The final decision would be made after consultation with the Chairman of Committee II.

This was agreed to.

Upon the query of Mr. ROYER (France) and with the agreement of Mr. BRIGNOLI (Argentina) the CHAIRMAN stated the Argentina proposal concerning Article 42 was considered a general exception and would therefore be referred to the joint sub-committee.

2. ARTICLE 16, PARAGRAPH 2 - ANNEXES

The CHAIRMAN proposed to defer to a sub-committee to be established for consideration of other questions arising from Articles 16 and 17, the amendments proposed by the delegation of Denmark, concerning Annex A and by the delegation of Cuba concerning Annexes A and D.

3. ARTICLE 16, PARAGRAPH 3

Mr. D'ASCOLI (Venezuela) suggested that an amendment to paragraph 3 of Article 16 submitted by his delegation might be referred to the proposed sub-committee.

Mr. STUCKI (Switzerland) requested clarification of a statement made that the General Agreement on Tariffs and Trade was a preferential arrangement.

Mr. SUIJENS (Belgium) replied that this was not the case.

Mr. D'ASCOLI (Venezuela) emphasized the relationship between paragraph 3 of Article 17 and Article 81. The CHAIRMAN stated that this point would be clarified during the first reading of Article 17.

Mr. NASH (New Zealand) wished to make sure that the substance of the note to Article 16 should not be lost, since it had great importance for his country. The CHAIRMAN recalled the instruction of the General Committee to remove interpretative notes and to make them a part of the text if their elimination was not feasible.

The CHAIRMAN suggested, in order to take up the matter of quantitative restrictions and exchange controls, that the Committee be divided in two and to meet alternately: Committee III-A to take over Sections A, E, and F of Chapter IV and Committee III-B, Sections B, C, and D. Each Committee would be presided over by the Chairman or Vice-Chairman allowing division of the work and quicker progress.

Upon the suggestion of Mr. STUCKI (Switzerland) it was agreed to postpone a decision until the next meeting.

The next meeting to be held on Thursday, 11 December 1947.

The meeting rose at 7.00 p.m.

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