

THIRD COMMITTEE: COMMERCIAL POLICY

SUMMARY RECORD OF THE TENTH MEETING OF COMMITTEE III-(b)

Held at the Capitol, Havana, Cuba, on 13 December 1947 at 4.00 p.m.

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

The CHAIRMAN stated that the Revised Annotated Agenda for Chapter IV (E/CONF.2/C.3/7 and Corr.3) would be the working paper for the discussion of Section B. He suggested that the agenda (E/CONF.2/C.3/14) be followed in the discussion of Article 20. It was agreed that the proposals relating to economic development (paragraph 1 (a) E/CONF.2/C.3/14) be referred to Committee II rather than to any sub-committee formed to study Article 20.

ARTICLE 20: GENERAL DISCUSSION

Mr. SAHLIN (Sweden) was in general agreement with Section B of Chapter IV. Swedish commercial policy was traditionally based on non-discrimination and the most-favoured-nation clause. The amendment to paragraph 2 (a) (Item 9: E/CONF.2/C.3/7) was proposed to meet a situation in which high world prices for, and consequent large exports of, agricultural products could cause a marked discrepancy between supply and demand in the home market. The amendment to paragraph 2 (c) (ii) (Item 17) was submitted in order to make the provision more flexible; that to (iv) (Item 21) referring to seasonal and other short term fluctuations in supply, would be explained in sub-committee.

Mr. SEIDENFADEN (Denmark) reserved his position concerning the Swedish amendment to sub-paragraph (iv) until the second reading.

Mr. LLERAS (Colombia) commented that the establishment and maintenance of exchange controls implied control of exports and he asked whether the practice of controlling exports so as to ensure that the exchange proceeds were guaranteed would be permitted under Article 20.

Following the remark of Mr. MARTIN (United States of America) that he thought the matter was covered by Article 24, paragraph 9 (b), the CHAIRMAN suggested that the question of the representative of Colombia should be dealt with by the sub-committee.

/Mr. BAHGAT

Mr. BAHGAT (Egypt) explained that insertion of the word "temporary" in paragraph 2 (c) (Item 15) would overcome any tendency toward permanency of measures mentioned there. Although "burdensome surpluses" had been stressed elsewhere, they should be particularly emphasized in this Article; quantitative restrictions were understandable when there were burdensome surpluses but should be limited or abolished otherwise.

Mr. CHAVEZ (Peru) was not in favour of paragraph 2, which permitted exception to the principle of the first paragraph. There seemed to be no great objection to sub-paragraphs (a) and (b), but (c) should be entirely suppressed, or greatly amended. It was necessary that quantitative restrictions be applied only because of super-abundance within the country; otherwise the clause could be invoked too frequently and a government could increase its production by restricting imports and perhaps by paying subsidies as well.

Mr. LORENTE (Philippines) compared the provisions of Articles 20 and 18; if it were not right to impose an internal tax when there was no substantial production, it would equally be proper to deny the right to impose quantitative restrictions in such a case. Article 20 (paragraph 2 (c)), was discriminatory in that it excepted agricultural or fisheries products, but not manufactured articles; provision for the termination of such discriminatory practices should be made in the same manner as for preferences in Article 17.

Mr. SAENZ (Mexico) agreed that quantitative restrictions should be limited to extreme cases and should be non-discriminatory. Item 10 sought merely to make paragraph 2 (a) more explicit, while the amendment in Item 12 was designed to exclude discrimination in this provision and also to meet the difficulty of defining an agricultural product.

Mr. CHANG (China) stated that if the exceptions of paragraph 2 (c) could be transferred to Article 13, his delegation would withdraw its reservation to paragraph 2 (Item 3) made in Geneva; if not, he was willing to concede that the reservation related to economic development; but since all questions of marketing and production policy were matters of economic development the exceptions could logically be grouped in Article 13.

Mr. COREA (Ceylon) felt that a complete denial of the right to impose quantitative restrictions would retard economic development; they were necessary where other forms of protection might prove inappropriate. Ceylon had proposed the deletion of Article 20 (Item 26), but had also proposed alterations to Article 21 to include provision for quantitative restrictions to further economic development as well as to correct an adverse balance of payments.

/Mr. CHARLONE

Mr. CHARLONE (Uruguay) supported the amendments of Argentina and Chile. He agreed with the representative of Ceylon that provision for quantitative restrictions should be more flexible, and proposed that paragraph 2 (c) should allow the protection of industries by that means. It was not equitable that under-developed countries be restricted in their control of imports of temporary surpluses of others' products.

Mr. DJEBBARA (Syria) emphasized his concurrence in the reservation of Lebanon.

Mr. FORTHOUME (Belgium) noted the negative attitude of Section B, and particularly of Article 20, which devoted four or five lines to the principle of liberating international trade from all obstacles, and the remainder to avoiding that liberation. Perhaps international trade might be made most attractive and its liberation most easily achieved if it were altogether prohibited!

Mr. MCCARTHY (Australia) proposed deletion of the word "temporarily" in paragraph 2 (a) (Item 6) since the prohibition of exports might have to be maintained for a considerable period in order to restore the productive capacity in agriculture (e.g. sheep breeding). That did not apply, however, in the case of manufactured products.

The deletion of Article 20 would be a retrograde step; the right of developing countries to utilize quantitative restrictions was not to be denied, but should be controlled so as not to nullify other provisions of the Charter. The requisite criteria were to be found in Chapter III.

Mr. MCCARTHY (Ireland) explained that while his country at times had certain agricultural surpluses, they did not wish to damage the primary producers by making those surpluses available at prices below the current market level and for that reason had proposed two amendments (Items 18, 22). Their intention was not to ban imports altogether but merely to regulate them, having regard to the domestic supply. Generally speaking, the scope of the Article should be widened. A clause should be provided which would permit quota restrictions to be introduced, enabling countries to restrict imports in the interest of domestic production.

Mr. FRESQUET (Cuba) stated that the first amendment submitted by his delegation (Item 4) was defensive in character and was designed to protect against foreign competition industries which had been created as a result of the war. The second (Item 5) was proposed to support a basic policy of development. Both amendments aimed at the development of production in order to provide for full employment.

/Mr. MULLER (Chile)

Mr. MULLER (Chile) thought that the Article was too rigid and should cover the protection of incipient industries, to which end the amendments of his country had been submitted.

Mr. AZIS (Afghanistan) stated that the position of Afghanistan was covered by the provisions of Article 43 on General Exceptions to Chapter IV. The restriction on the export of cattle would be necessary until animal husbandry had been more fully developed in his country.

Mr. BRIGNOLI (Argentina), referring to the earlier decision to submit the amendments of the delegations of Chile and Argentina. (Items 1, 2) for study by Committee II, stated that this decision should be reconsidered. Article 20 of Chapter IV prohibited quantitative restrictions but allowed certain exceptions, to which Argentina offered no objections. The under-developed countries should have the right of applying restrictions with a view to regulating imports and of developing their industries. There was no provision in Chapter III advocating the adoption of quantitative restrictions even temporarily. He considered that Items 1 and 2 should be discussed in connection with Article 20.

Mr. MARTIN (United States of America) supported by Mr. MELANDER (Norway) felt that the provisions of Article 13 referred to the whole of Chapter IV and that the Chairman's decision should be upheld.

Mr. CHARLONE (Uruguay) said that if quantitative restrictions were admitted as a legitimate measure, then the discussion could not follow the complicated procedure of requesting authorization from the Organization under Article 13; if, on the other hand, quantitative restrictions were not admitted, then the States must be free to take action in defense of their vital interests.

Mr. MELANDER (Norway) and Mr. FORTHOMME (Belgium) thought that an unnecessary duplication of the discussion would follow if proposals relating to economic development were considered under Article 20.

Mr. LLORENTE (Philippines) recalled that an amendment had been submitted to Article 13 which, if adopted, would have far-reaching consequences on Chapter IV. He felt strongly that any discussion of quantitative restrictions in relation to economic development should be dealt with by Committee III.

On a show of hands, the general consensus of opinion was found to be against the proposal of the representative of Argentina. It was therefore agreed to maintain the previous decision to refer the amendment to Committee II for study and report.

/Mr. COLOCOTRONIS (Greece)