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SUMMARY RECORD OF THE TWELFTH MEETING (III.b)

Held at the Capitol, Havana, Cuba
Tuesday, 16 December 1947, at 10.30 a.m.

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

1. ARTICLE 20 - GENERAL ELIMINATION OF QUANTITATIVE RESTRICTIONS

(First reading). Completion of discussion of proposed amendments and Geneva draft notes (document E/CONF.2/C.3/14)

The CHAIRMAN, referring to his remarks at the previous meeting, said that in addition to the sub-committee to be set up to deal with proposals in relation to Articles 20 and 22, a sub-committee would also be established to consider Articles 21, 23 and 24 after discussion on Article 24 was finished. He emphasized the importance of Article 20, pointing out that it was one of the basic Articles of the draft Charter.

Mr. REISMAN (Canada) felt that all would agree that paragraph 1 of Article 20, which called for the elimination of quantitative restrictions, was the most important single principle contained in the draft Charter. In the past quantitative restrictions and quotas had been the greatest barrier to the free flow of international commerce and, if permitted in the future, should be carefully controlled by the ITO.

Articles 13 and 14 of the draft Charter recognized that, in a limited number of cases, quantitative restrictions might be a more effective way of encouraging economic development than other forms of protection permitted by the Charter. Those restrictions might also be enforced temporarily by a country which found itself in a serious balance of payments situation. Paragraphs 2 and 3 of Article 20 and Article 43 also provided for departures from the principle that quantitative restrictions should be eliminated.

So far as agricultural and fishery products were concerned the Canadian delegation would accept the compromise contained in the draft Charter. It felt, however, that the mechanism provided for in Chapter VI of the draft Charter should be given a fair trial before a country was permitted

permitted to depart from the basic principles regarding quantitative restrictions.

The Committee should examine all amendments to Article 20 with extreme care as in them lay the possibility of so modifying the basic principles of the Charter as to make it almost worthless.

Mr. MARTIN (United States of America) considered that the Charter should contain a strong provision against the use of quantitative restrictions, and should allow the minimum of absolutely necessary exceptions. The United States representative had enumerated at a meeting of the Preparatory Committee in Geneva the many and powerful objections to their use. It had been stated that those who had drafted the Charter had taken care of their own needs by permitting quantitative restrictions in the circumstances in which they now employed them. That was not so. The United States of America had never extensively resorted to that system of protection and certain quantitative restrictions now existing would have to be abolished by that country when the ITO Charter came into force. He agreed with the representatives of Australia, Norway and the United Kingdom that certain exceptions would have to be made in the case of primary products, but those exceptions could not be extended to include industrial products.

The representative of Venezuela had stated at the meeting of 13 December, that as the majority of the members of the Committee appeared to favour the broadening of exceptions permitting quantitative restrictions it could be taken that the Committee approved of exceptions. This was not a sound conclusion.

Mr. D'ASCOLI (Venezuela) said the representative of the United States of America had misinterpreted his speech. He had intended to point out that in spite of the vote which had been taken in Committee III it had not generally pronounced itself against the amendments to Article 20. It had only voted on a question of procedure, i.e. as to whether the amendments should be dealt with by Committee III or by any other organ to which it might be submitted.

Venezuela had never supported a policy of quantitative restrictions. He had agreed with amendments such as that submitted by the representative of Cuba because he considered them just.

The CHAIRMAN said that all members of the Committee would agree that the vote taken on 13 December was a vote on a question of procedure. Any points of difference regarding amendments to Article 20 would be submitted to a sub-committee whose task it would be to reconcile the various points of view and to reach agreement.

/Mr. COREA

Mr. COREA (Ceylon) stated that the theory expressed by several representatives that world trade was handicapped by quantitative restrictions would be a sound argument if all States had reached a stage of equal economic development. This, however, was not so and in his opinion Article 20 conflicted with the basic purposes of the Charter laid down in Article 1. The under-developed countries should be allowed to develop and should be permitted to impose quantitative restrictions. Small countries possessing the necessary raw material had to have recourse to certain protective measures in order to improve their production but the imposition of a higher customs tariff was not always possible because it meant increasing the cost to the consumer. With the aid of quantitative restrictions the under-developed countries would be able to raise their standard of living, thus leading to a greater demand for consumer goods manufactured and exported by the highly industrialized countries.

If the proposal made by his delegation that Article 20 should be deleted was considered too sweeping, a clause might be added to Article 21 stating that certain under-developed countries should have the right to impose quantitative restrictions to improve their economic position.

Mr. SEIDENFADEN (Denmark) agreed with the remarks of the representatives of Canada and of the United States of America. It would be necessary to retain quantitative restrictions for some time to come but the Danish delegation would have preferred to see those escape clauses in the draft Charter and those new amendments which related to the transition period included in an annex in order to emphasize that they were of a temporary character only.

Mr. MULLER (Chile) supported the remarks of the representative of Ceylon. After briefly reviewing the problem of foreign exchange with which his country was faced, he emphasized that it was necessary to have a provision in the Charter protecting the legitimate rights of countries with incipient economies to develop their industries.

Mr. LLORENTE (Philippines), referring to the remarks of the representative of the United States that certain quantitative restrictions would be abolished by that country if the ITO Charter came into effect, said that the Philippines would in that case be seriously affected. He mentioned the agreement regarding sugar, and said the Philippines would be helpless to enforce its rights in connection with that agreement.

He agreed with the remarks of the representative of Ceylon that if all countries enjoyed the same degree of economic development there would be no need for quantitative restrictions but, as long as that was not the case, those restrictions were necessary.

/Referring

Referring to the great help which his country had received from the United States of America, Mr. Llorente said the Philippines had followed the tariff policy laid down by the latter state for their fiscal needs only. Pointing out that the Philippines had a tobacco industry which could potentially compete with any other in the world, he said it was necessary to have quantitative restrictions to protect that industry.

Mr. CHARLONE (Uruguay) appreciated the views of the United States representative but said that countries which depended on exports for twenty five to seventy per cent of their national income, as did certain of the Latin-American republics, were in a better position to judge the need for quantitative restrictions. The greatest part of Uruguay's purchasing power was based on the export of a very few products and the workings of the Ottawa Convention had in the past made it essential for her to ban non-essential imports in order to conserve foreign exchange. At the present time it was clear that the post-war transitional period would be prolonged and that no existing institution could correct the present disequilibrium. It would be very difficult for Uruguay to accept the Charter in its present form since the prohibition of quantitative restrictions would do incalculable damage to her nascent industries.

Mr. LLERAS (Colombia), recognized that quantitative restrictions were not the best way of protecting industry nor the best system for international trade and that their use might lead to grave political consequences, both internally and externally; nevertheless quotas were necessary in exceptional cases either to protect minimum price and wage programmes or to correct disequilibrium in the balance of payments or to change the composition of a country's foreign trade.

Even though Articles 13 and 14 contemplated such measures, they did not offer adequate safeguards; and Article 20 should therefore provide for the use of quantitative restrictions under international control for manufactured products as well as for agriculture and fisheries.

Mr. ENTEZAN (Iran) agreed with the representatives of Ceylon and Chile that quantitative restrictions should be used to combat unfavourable balance of payments and to protect new industries. Quotas were sometimes the only protection against the practice of dumping. His country would not use quantitative restrictions to flood the world with products but rather to allow the processing of its own raw materials for domestic consumption.

Mr. MAC CARTHY (Ireland) agreed with the representative of Ceylon; the smaller countries were attempting to re-adjust their economies by the development of industry. Quantitative restrictions offered the necessary

/safeguard

safeguard where tariffs were not suitable, and some amendment to that effect should be made to Article 20.

Mr. BRIGNOLI (Argentina) agreed with the representative of Uruguay; Article 20 discriminated against smaller countries and should be amended to correct this insurmountable barrier to industrial development.

Mr. RODRIGUEZ (Brazil) stated that paragraphs 1, 2(a) and 2(b) were acceptable, but that 2(c) should include provision for industrial products. The use of quantitative restrictions was sometimes the only method of achieving full employment and diversification.

Mr. ADARKAR (India) asked for patience and understanding on the part of larger countries towards those who sought provision for quantitative restrictions, not for discriminatory purposes, but as an instrument of national planning. A stabilization scheme for primary products would require restriction of imports if the domestic price were to be fixed at a level higher than the foreign price and the provisions of Chapter VI and of Article 43 were inadequate to deal with such a case.

Mr. AUGENTHALER (Czechoslovakia) agreed with the representative of the Philippines that bilateral arrangements were not necessarily an obstacle to world trade, but may be in accord with the purposes of the Charter.

Replying to the question of Mr. MULLER (Chile) as to whether the proposals of Chile (Item 1), Argentina (Item 2) and Ceylon (Item 26) would be dealt with definitively under Article 13 by Committee II, the CHAIRMAN stated that that was the decision of Committee III. However, should Committee II decide that the Chilean proposal did not come within the framework of Article 13, it would be referred back to Committee III.

The meeting rose at 1.15 p.m.