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ORIGINAL: ENGLISH

THIRD COMMITTEE: COMMERCIAL POLICY

SUB-COMMITTEE A (ARTICLES 16, 17, 18, 19)

NOTES OF TWENTY-SIXTH MEETING

Held on Friday, 23 January 1948, 6.00 p.m.

Chairman: Dr. G. A. LAMSVELT (Netherlands)

1. It was agreed that the delegate of Cuba would replace the delegate of Peru as a member of Working Party 3 (Article 18).
2. Report of Working Party 1 (Article 16, Annex A) (E/CONF.2/C.3/A/W.36).  
The United States delegate, Chairman of the Working Party, explained that the Geneva text of the note to Annex A had been redrafted to meet two main objections: (1) quota preferences could have been converted into tariff preferences immediately with the possibility that the tariff preference might have been established at an unduly high level for the purpose of future negotiations; (2) it was not clear how long the restrictions under the preferential arrangements provided for in Annex A could be maintained. Both of these points had been met in the redraft.

The Chairman mentioned the reservation to Article 23 (5) (b) made by the Brazilian delegation in Geneva and maintained in Havana in Committee III and in the Sub-Committee on Article 23.

The delegate of Brazil explained that his delegation objected to Article 23 (5) (b) and Annex A largely as a matter of principle. The implication of the text was that the elimination of a discriminatory quantitative restriction would have to be paid for by other Members in negotiations. He believed this was contrary to the spirit of the Charter which provides for the outright elimination of quotas. He believed further that it was contrary to the principles of the Charter to sanction a new tariff preference without the Organization's approval since new preferences were not contemplated at all in Article 16 and in Article 15 only subject to certain safeguards. He recognized, however, that the Working Party draft was some improvement on the Geneva draft in that it contemplated negotiations. The Brazilian delegate inquired whether, in the event the negotiations contemplated

/in the new draft

in the new draft of Annex A failed, the Member concerned would be permitted nevertheless to maintain the existing quota preference.

The delegate of Australia, supported by the delegate of New Zealand, felt that the preferential arrangements referred to in Annex A should be treated specially because of the special circumstances which applied, i.e., the quantitative restrictions involved had been agreed during Ottawa negotiations in which they had been paid for by reductions in import tariffs. The Australian delegate believed that both the conversion from a quota to a tariff preference and the level of the latter would have been agreed during the Geneva negotiations had the principal suppliers been present. Australia was prepared to negotiate whenever the principal suppliers were present, but meanwhile was not prepared to give up a quota preference, paid for in previous negotiations, until given an opportunity to negotiate tariff reductions which would enable Australia to recover her European markets lost because of increased duties on meat.

The delegate of Denmark stated that his delegation did not approve of the retention of any quantitative restrictions and would prefer to see Annex A deleted. They were prepared, however, to accept the Working Party's Report because it would give them an opportunity to find a common solution in negotiations. He wished to make it clear that his delegation, by agreeing to this new draft, did not prejudice its position with respect to the possible outright elimination of all quantitative restrictions if this larger issue presented itself later in the Conference.

The delegate of the United States was sympathetic to the views expressed by the Brazilian and Danish delegates on grounds of principle. However, he believed that the present draft was fair in the light of the background of these particular arrangements, which involved both quotas and preferences. As quotas, they should be eliminated outright under Article 20; as preferences, their elimination would be subject to negotiations in the manner provided for in Article 17. He believed, however, that the new draft safeguarded the interests of those primarily concerned better than had the previous draft by providing for negotiations.

The Netherlands delegate, while disagreeing in principle, indicated his willingness to accept the new draft which was somewhat more satisfactory than the previous one.

The Sub-Committee agreed:

1. to adopt the Working Party's Report, with the addition of the words "to replace these arrangements such action" after the word "increased", the word "it" to be deleted; in the next to last line of paragraph 3 of the Note to Annex A;

2. to recommend the retention of the exception for these preferential arrangements

- arrangements in paragraph 5 (b) of Article 23 rather than referring to the Central Drafting Committee the question of its location;
3. to state in its Report the Sub-Committee's understanding that a new tariff preference created or an existing tariff preference increased as a result of the negotiations provided for in Annex A would come within the scope of paragraph 3 of Article 16 and would, therefore, be subject to negotiations in the manner provided for under Article 17;
4. to include in its Report the Sub-Committee's understanding that if the negotiations provided for in the new text of Annex A were to break down, there would nevertheless be a commitment to convert immediately the quota preferences involved into tariff preferences.

The delegate of Brazil indicated that his delegation would maintain its reservation to paragraph 5 (b) of Article 23, at least until the Sub-Committee's Report was considered by Committee III, but that meanwhile he would ask his Government to consider the proposed new text of Annex A.

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