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SECOND SESSION OF THE PREPARATORY COMMITTEE OF THE  
UNITED NATIONS CONFERENCE ON TRADE AND EMPLOYMENT.

VERBALEN REPORT

SEVENTH MEETING IN EXECUTIVE SESSION  
HELD ON WEDNESDAY, 21 MAY 1947, AT 5 P.M. IN  
THE PALAIS DES NATIONS, GENEVA.

M. MAX SUBTENS (Chairman) (Belgium)

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CHAIRMAN (Interpretation): The Meeting is called to order.

We will continue our discussion on the amendment suggested by the Chilean Delegation and the Lebanon-Syrian Delegations. Does anyone wish to speak?

Mr. S. L. HOLMES (United Kingdom): Mr. Chairman, I doubt whether there is very much, in the spirit in which this Delegation approached these discussions, that I need say. We feel - I am sure I am speaking for the Delegation as a whole - that where it is mainly a matter of agreeing with what has been said before, we should express our agreement in as few words as possible. In that spirit I should like to say quite briefly that I think that all I might have said - or practically all I might have said - has been said already in the course of this discussion, particularly by the representative of Cuba, Mr. Guerra.

We would not discount for a moment the very exhaustive argument advanced in support of this motion by the representative of Chile and supported by the representative of the Delegations of Lebanon-Syria, but of course it is necessary for us to reach an agreement; a certain give-and-take is required before a number of countries can reach an agreement on a subject as large and as important as now engages our attention.

We might all like to have exceptions which suited our particular points of view, but we have to view this against the background of the general understanding on which we have entered these negotiations, both as regards the Charter and as regards the tariff negotiations which now have started; and we should feel

that there was something inappropriate, something, if I may use the word, rather topsy-turvy, if, at one and the same time, some of us were committed to at least the crystallisation of preferential arrangements, and, indeed, further than that, to an attempt by agreement to their reduction, and at the same time preferential arrangements were being engineered. I do not say that my country is a country which attaches enormous importance to uniformity of procedure or logic, and indeed I am proud to say that it was my country which produced one of the most famous books of all time "Alice in Wonderland"; but I think it would be going a bit far if, when the preferential system of which we in the United Kingdom are part. is being either contracted or at any rate stabilised, to put it mildly, a new preferential system was to come into existence. We should have thought that the Chilean delegate might have relied upon the provisions that are already in the draft Charter, in particular in article 38, 4, for the sort of latitude that might be appropriate in certain circumstances for new preferences, but of course it is true, under the new sort of procedure which is envisaged in Article 38,4, the scrutiny of the proposed new arrangement by the Organization is provided for. That we would think was not undesirable.

The actual motion in the form of the amendment proposed by the Chilean and Lebanese-Syrian delegations that is in front of us seems to the United Kingdom delegation to be altogether too wide. It also (this may be unavoidable), it also suffers from being vague. Who, for instance, is to interpret the meaning of the words "inadequate or backward"?

MR. S.D. HOLMES (United Kingdom) (Contd.): As we see it, there is no provision here for anything but, so to speak, the unilateral interpretation of the terms of this amendment by the proposed beneficiaries, whereas in Article 33, paragraph 4, to which I have referred, I think it will be found that the organization which we hope will be coming into being has a say in what, after all, would be a fairly marked departure from the general provisions, the general understanding behind that Article of the Charter, Article 14, to which the amendment is proposed.

I think that in general we had felt that with the latitude of Article 33, paragraph 4 and the terms of Article 14, paragraph 2(c), countries probably had a fairly favourable position, countries which were already engaged in some form of preferential system. As I think Mr. Cuorra said, the date inserted in Article 14, paragraph 2(c), 1st July 1946, is a very late date, no doubt designed to provide for the possible survival of the maximum number of preferential margins. That, as we have always seen it, provided the base date which we are asked to provide in the case of preferential systems mentioned in the other two sub-paragraphs of Article 14, paragraph 2. We certainly had hoped that that would have been satisfactory to the countries concerned.

In general, therefore, while we should recognise that the case has been put forcibly and exhaustively by the representative of Chile, and while we should not wish to discount the philosophy of inter-dependence of traditional economic complement, we should feel that the matter might stand where it is and that we might perhaps even at this meeting, dispose of this particular amendment. I say that, because I think that it would be a pity, where there

ems to be a pretty strong expression of the majority view, if we  
ok the line of least resistance and merely postponed the  
oussion until some later date, as was suggested, I think, by the  
egate of France. Is this, Mr. Chairman, not a case where  
haps we might hope to settle something almost here and now,  
hout either postponement to some later article, which may or  
not have exact relevance or reference to a sub-committee?

I think perhaps I have spoken longer than I intended to,  
ause the actual arguments which appealed to us very strongly  
re put in, I think, a very able form by the Cuban representative.

CHAIRMAN: The Delegate of the United States.

Mr. WINTHROP BROWN (United States): I find myself in the same position as the Delegate from the United Kingdom, in that most of the points which my Delegation would like to have made have already been ably presented by the Delegates of Brazil, Cuba and the United Kingdom.

My Delegation certainly shares and sympathises with the objectives of the development of under-developed countries which has been so strongly stressed by the Delegation of Chile, and which was called to our attention by the February 18th Resolution to which the Chilean Delegate referred.

We would suggest, however, that those objectives and the means of accomplishing them are met and recognised in the Charter by Chapter IV and by the provisions of Article 38, which has been referred to. There is one point which the Delegate from Chile made which has not been referred to by the other Members, which I would like to say a few words about, and that is the resolutions adopted at some of the Inter-American Meetings from 1933 onward. In the Montevideo Conference of 1933 it was recommended that a formula be studied which would permit the concession of commercial advantages exclusively from our neighbouring or contiguous countries. That matter was brought up for study by the Inter-American Finance and Economic Advisory Committee in the Fall of 1941, and agreement was reached by all the countries there that if any such preferences should be given they should be specifically embodied in trade agreements, but the parties thereto should reserve the right to extend these preferential rights to other countries and that - and this is the

point I wish to stress - any such regional tariff preferences should not be permitted to stand in the way of any broad programme of economic reconstruction involving the reduction of tariffs and scaling down or elimination of tariffs and other trade preferences, with a view to the fullest possible development of international trade on a multilateral unconditional Most-Favoured-Nation basis.

That seems to our Delegation to be precisely what we are doing here: carrying forward the spirit of that Recommendation of the Inter-American Financial and Economic Advisory Committee by endeavouring to scale down or eliminate discriminations in international trade and develop it on a multilateral unconditional Most-Favoured-Nation basis.

My Delegation shares the view, therefore, of the Delegation of Brazil, that the Resolution suggested by the Chilean Delegation is inconsistent with the spirit with which this Conference has approached the problem of preferences, and we share the view of the Delegate of Cuba as to the wide and sweeping character of the exception, and it seems to us that the adoption of such an Amendment would be unfortunate and unnecessary, because the basic points which it seeks to achieve could be achieved under the provisions of Article 14, Chapter IV, and Article 38.

CHAIRMAN: The Delegates of Australia.

Mr. E. McCARTHY (Australia): Mr. Chairman, the Australian Delegation must, I think, subscribe to the view that has been put forward by several Delegations that the proposal made by Chile is altogether too sweeping, and we think it would be too general in its application.

As has already been said, the matter of preferences which have been enjoyed by many countries is under review, and even though we do not, perhaps, find yet that the qualifications to that are complete, it is certain that there will be wide reductions if the Articles at present laid down are given effect. This proposal seems to us to open up a new field, and to introduce a new field for the creation of new preferences strikes us as being very much open to question.

At the same time, we did think that the Representative of Chile put up an excellent case for special treatment, particularly where he refers to the desire to develop new industries. It has seemed to us throughout that undeveloped countries must be given some special consideration and the Charter has laid this down. But where we find a defect also in this Article is that it does not provide for any submission of criteria to the Organisation, and does not involve any supervision at all by the Organisation. So we would have to affirm the principle, I think, to which we have already agreed, that where countries do wish to embark on policies of development which involve a departure from the general provisions of the Charter, they should do so under the supervision and after examination by the Organisation. Therefore we would say that if anything is to be done to meet Chile, the Lebanon and Syria, it should be in accordance with the provisions

of the Charter, which provide for supervision by the Organisation.

We have examined some of the appropriate articles to see whether, in our view, something should not be done to meet the obvious problem with which Chile is faced. It does seem to us that there might be some examination of Article 13, which provides for the review of developmental projects by the Organisation, and also, as has been suggested, Article 58, though it does seem that the appropriate paragraphs four and five are rather too tight to meet the Chilean viewpoint.

Summarised, therefore, our view is that we could not support the amendment as put forward by Chile for the reasons I have given and which have been mentioned by other Delegations; but we are sympathetic to the problems they find themselves faced with in regard to projects of new development, and the part that might be played by adjoining countries in that development. If it were considered advisable that the case they have put forward be examined with a view to seeing whether some provision could not be made in the Charter, subject to the supervision of the Organisation, I think we would be prepared to look at that viewpoint rather sympathetically.

The Hon. I.D. WILGROSS (Canada): Mr. Chairman, like the previous speakers I find too that it is very difficult to add to what was said this morning by those who found that it is impossible for their delegations to support the amendment proposed by the Chilean and Lebanese delegations. I wish, however, to make the position of our delegation clear on this amendment because, like the speakers who have spoken before me, we too feel it is of too sweeping a character and that it conflicts with the fundamental principles underlying Article 14. I can endorse what was said this morning so ably by the delegate of Brazil when he emphasised that, for the further development of underdeveloped countries, international co-operation was more important than original co-operation when the two were in conflict. He also emphasised the degree to which the Chilean amendment was in conflict with the underlying principles of Article 14. The delegate of Cuba gave more specifically the reasons why the Chilean amendment was in conflict with these principles. Article 14 is designed to bring about the general adoption of a Most-Favoured-Nation treatment governing the commercial policy of all members of the Organization. It was recognised, however, that there had to be certain exceptions in the case of old-established preferences which could not be removed too suddenly because trade had gone up under these preferences, and it was necessary to make some allowances for that fact. An exception was therefore accorded in the case of old-established preferences which would remain over after the tariff negotiations had been completed. However, at the London session, a further exception was granted in the case of preferences

enforced exclusively between neighbouring countries even though some of these preferences had not been long established. The Chilean amendment, however, as the delegate of Cuba pointed out this morning, would go much further and provide not only for the establishment of new preference systems, but provide for the establishment of preferences which would not be subject in any way to negotiation in the tariff negotiations which have been carried on concurrently with the discussions on this Charter. We are in full sympathy with the desires of the delegation of Chile and the delegations of other countries who wish to develop their economies further, and we feel that their views should be given the very fullest consideration in this connection, but we doubt whether the proper way in which to proceed is by means of establishing further exceptions to the underlying principle of the Most-Favoured-Nation treatment.

There are already in the Charter provisions for the further development of undeveloped countries. We have a whole chapter which is designed to take care of the special needs of these countries. Preferences would only be one of the means of accomplishing the object which they have in view and a means which would have a very limited effect. There are only certain industries which benefit from having the advantage of a wider market. These are the industries which are usually described as mass productions in industries.

The Chilean amendment, however, would apply to all industries, even to industries which are already developed. If it were adopted, we would find that the products of well-developed industries would benefit by preferences as well as the products of under-developed industries. We might find, for instance, that Argentine wheat would obtain a preference in Chile and Chilean timber a preference in Peru.

It would not be possible for us to contemplate the further extension of a system of preferences affecting products of this kind at a time when we were meeting here and agreeing not only to the establishment of no new preferences, agreeing not to increase preferences already established, but were also undertaking negotiations for the reduction or elimination of preferences which are of long standing.

CHAIRMAN (Interpretation): Are there any further Delegates who wish to speak?

The Delegate for Belgium-Luxembourg.

BARON VAN DER BRATEN-MAILLET (Belgium-Luxembourg)

(Interpretation): Mr. Chairman, I associate myself entirely with the view which has been expressed by the representative of Canada. We can, I think, meet entirely the desires expressed by the representative of Chile, in the framework of Article 58, in a way which would permit the conclusion of such agreements, and therefore I do not think it desirable to bring any alteration into Article 14 as it stands.

CHAIRMAN (Interpretation): Any further speakers?

Gentlemen, I think the time has come to sum up these debates. I think all the Delegations who have spoken are ready to consider most seriously the difficulties and miscellaneous problems which have led the Delegations of Chile and of Lebanon-Syria to propose an amendment to Article 14 of the Draft Charter, but we can also say that all Delegations who took the floor have also agreed that it would be dangerous to seek a solution to these difficulties by means of a permanent exception to the Most-Favoured-Nation clause.

It has been said also that one could find the appropriate remedies to these difficulties in the Draft Charter as it stands and, in particular, Articles 13, 38 and 14(c) have been mentioned in that respect.

I assume that the Delegate of Chile would wish to answer the various arguments and tell us his feeling on the point.

The Delegate of Chile.

Mr. ANGEL FAIVOVICH (Chile) (Interpretation): I would like to say first of all that I followed with great attention the development of a situation which soon appeared to become entirely beyond my scope when I realised that a large majority of the delegates here present considered that they were not in a position to accept the proposal I made together with the delegates of Syria and the Lebanon. I would like, however, to make some observations in order to mark clearly the position taken by the Conference on that particular point, and in particular I would like to correct one of the statements made by the delegate for the United States when he referred to the decision made in 1941 by the Economic and Financial Advisory Council of the Inter-American Conference, but this delegate did not mention a decision taken by the Inter-American Conference in 1948 where the position of the American countries on that particular point was clearly defined.

I realised on the other hand with deep appreciation the understanding shown by the delegates of Australia and France. These delegates, while opposing the text of our amendment, have nevertheless recognised the necessity in international framework and cooperation to give special attention to the problem to which our amendment draws attention, that is the problem of the undeveloped country from the economic point of view, and they have also shown the necessity for the Conference of dealing with this problem.

M. ANGEL FAIVOVICH (Chile) (Interpretation): (Contd):

It is obvious that the fundamental reason invoked by most of the delegates against our amendment lies in the fact according to which the Charter has been endeavouring to establish a system of equality in international trade, but it is precisely this observation which leads me to say that I do not see that such an aim can be realised in Article 14 as it stands at present.

The International Trade Charter does not have as its basic objective the study of customs systems, as if such were the case it would be necessary to show clearly that it had a disposition tending to defend the countries with large economic and industrial systems. But the Charter must be considered as a whole and as an instrument taking precisely into account also the situation of the countries which have a small industrial development.

If it is proposed to give guarantees to the countries with a large economy, then we must also see the point of view of the countries with a small economy, and to find for these countries compensatory measures in the Charter. We must ask ourselves how we can best achieve these principles of equality, and we must ask ourselves whether Article 14 as it stands is really endeavouring to consecrate this principle in view of the numerous exceptions which it contains. I say that in view of these exceptions, this article constitutes, on the contrary, a system of complete discrimination against the small countries with small economies. In other words, it contributes to discrimination between the countries with a preferential system and countries who do not apply preferential systems.

If the answer to this question is, as I have just stated, in the affirmative, then I wish to draw attention to the necessity of doing away with all preferential systems in order to put all the countries on an equal footing, and if it is really the aim of the Charter to recognise a principle of equality, I say that for the time being we seem to be going towards a system of complete inequality.

Mr. FAIVOVICH (Chile) (Interpretation): The Chilean Delegation considers that if an international charter does not give guarantees and some security to a small country as well as to the countries with a large industrial development, this will mean that the aims of the Charter to create an instrument of international understanding and of peace will not be achieved. I also say that I wish to state that the Charter recognises existing preferences in favour of some countries solely because of the preferential systems which were in existence before the date which is mentioned in Article 14.

I therefore ask the question, since when has an international instrument concentrated in law a system based on a situation of fact? I would like to know in this respect the exact opinion and thought of the Delegates for the United States, United Kingdom and Cuba, and I would like to know whether they are prepared to do away with the preferential system which found itself recognised in a special clause of Article 14.

Do we wish to respect the system of equality when we find no provision in respect of the system in that particular part of the Charter? - and if there is no doing away with a system of preferences in a given time limit, what assurances have we got that such a system will be abolished? If it is envisaged to abolish the system, will it be on the basis of rights acquired previously, or will it be in the interest of all countries concerned? If the abolition of a system was based on rights already acquired previously, we would create a very bad situation for the other interested countries. On the other hand there might be unilateral or partial negotiation; but even in that case there will remain in the Charter the germs of maintaining injustice and discrimination against countries which have no preferential system, or in favour of countries which have a possibility of negotiating on the basis of a system acquired before.

Thus would be denied to other countries the possibility of acquiring the necessary equality.

M. ANGEL FAIVOVICH (Chile) (Interpretation): Mr. Chairman, I believe that I have already shown that Article 14, with the exceptions it contains, is not in conformity with the fundamental argument which has been propounded against our amendment. The Delegate of Cuba has said, and other delegates repeated after him, that our proposal was of a radical nature, meaning that it went so deep as to be incompatible with the spirit of the Charter. I think that the Delegation of Cuba, a country which finds itself covered by one of the exceptions mentioned in Article 14 of the Charter, did not take the necessary time for a thorough study of the consequences of the adoption of our amendment, because I think that our proposal is by no means radical and in no sense endangers the principles propounded by the Delegate for Cuba, as we wish to establish conditions enabling the granting of some exceptions in some cases in favour of neighbouring or contiguous countries--countries which are not sufficiently developed and which are interested in developing their economies and industries on a reciprocal basis.

The mere mention of those conditions shows that we are able to refuse to accept the qualification of "radical" which has been given to our proposals. I believe that this Conference is interested in concluding a set of provisions which would be in harmony with each other and in conformity with the interests of all countries, and therefore this Conference cannot fail to consider with interest and attention a proposal such as we have put forward together with the Delegations of Syria and the Lebanon.

I must point out also that<sup>11</sup> the feeling of all countries with a small development that it is in the interests of all countries to find a formula enabling them to have a complete and

harmonious development of their economies. If this is not done, and if this possibility is not granted by the very large countries to the small countries--if these very developed, sometimes enormously developed, countries think that they can maintain indefinitely the present state of affairs, and keep the other countries in the role of supplier of raw material, we would commit a grievous error. It would be in the interests, even of them, to develop now the small countries which have been, so far, supplying raw material to the large countries.

Now we see that if this Conference--and I feel sure that it does--desires to find a formula which would be satisfactory to big and small countries alike, we must consider--and I must consider myself--with great sympathy the suggestion made by the Delegates of France, Australia and the United Kingdom to consider the various provisions in the Charter which we have mentioned, provisions tending to facilitate the adoption of the preferential system such as <sup>is</sup> proposed by our Delegation in our amendments.

Another remark is that we all here, I believe, fully agree with the idea of doing away with the discrimination and preferences but I would like to let you know, as we are debating this question, that I have just today received a cable from my foreign minister which reads as follows: "We have concluded today a trade agreement with Czechoslovakia including the Most-Favoured-Nation clause; Chile making an exception as to the clause in favour of contiguous countries or countries members of the Customs Union and Czechoslovakia making an exception for the benefit of adjoining countries in order to facilitate frontier traffic and traffic resulting from Customs Unions".

You will see by this cable that precisely at the time when we are here in this International Trade Conference dealing with the question of international trade among various countries, there are some States which accept this question of preference in favour of contiguous countries - this very clause which is so largely opposed and attacked here at present.

To conclude, I would like to express the feeling which is shared, I believe, not only by many American countries but also by many other countries in the world, that we would see with great regret the text of Article 14 remaining as it is, and I think this country will be satisfied if our amendment could be incorporated one way or another to Article 14 as, in the absence of a special system of exception, it will be extremely difficult for this undeveloped country not only to live, but even to compete, in favourable conditions. Therefore, I would also be prepared to consider with sympathy what was said by the three countries I mentioned before, and I would be ready to accept the suggestions they made provided we give a legitimate satisfaction to the country which I mentioned, and to many others.

CHAIRMAN (Interpretation): Before calling on the French representative and on the representative of Cuba, I think that the delegate of Lebanon should have the floor.

Mr. Moussa KOBANAK (Lebanon) (Interpretation): Mr. Chairman, I associate myself with the representative of Chile and I will take the liberty of referring with some detail to the arguments which were presented this morning by my Syrian colleague, focussing my attention on the particular case of the countries of the Near East.

In 1918 certain countries of the Ottoman Empire became independent and the international agreements concerning those countries, and organising the conditions of mandate under which those countries were to be governed, provided that those countries not only could but should conclude preferential agreements among themselves to let commodities pass across their borders with no imposition of tariffs whatever, or with imposition of only very low tariffs. I think also that those provisions were extended to certain African countries under mandate - I have in mind, in particular, Kenya.

Those countries with complementary economies had to conclude, according to the provisions of the agreements organising the Mandates, regional agreements with a view to developing their commerce reciprocally. I must point out, in this connection, that the United Kingdom representative spoke this morning against the proposal moved by the representatives of Chile and of Syria and the Lebanon on the amendment to Article 14. However, I must point out that Palestine, which is still under mandate, was also instructed by the international agreement which organised the mandate to conclude preferential agreements with adjacent countries, and this is why we, in particular, have an agreement of this kind with Transjordan and Palestine which is in force at the present moment.

I would take the liberty of asking the representative of the United Kingdom whether his intervention this morning could be construed as meaning that our agreement with Palestine should lose its force. In those agreements which were concluded at that time, Most-Favoured-Nation treatment was provided for all nations who were Members of the League of Nations. At the same time, the right of these countries of the Near East to conclude preferential agreements was also provided for. In view of the complexity of the point at issue, and in view of the slightly favourable comments which I have heard from the representatives of France and Australia, I would propose referring this question to a Drafting Sub-Committee, who could prepare a draft taking into consideration all interests concerned.

We are of the opinion that no solution should be imposed but that all the aspects of the matter should be discussed carefully with a view to ensuring to the undeveloped countries the full possibility of developing their economies alongside the economies of fully developed countries.

To sum up, my proposal is to set up a sub-committee where the countries who proved slightly favourable to our proposal and ourselves could prepare a text which would prove satisfactory to all.

CHAIRMAN: M. Nathan.

M. ROGER NATHAN (France) (Interpretation): I wish to make a very brief comment, since the Delegate for Chile mentioned a suggestion I made this morning.

First of all, we are not in principle in favour of new customs preferences, except for those which would be paving the way for customs unions, but we do not think that the Charter, as it stands at present, is going against the preferences existing at a given date; secondly, and this ensues from what I have just said, we think that Article 14 must remain as it stands, and at the time when we discuss Article 38 we shall see whether this Article gives satisfaction to the Delegations of Chile and Lebanon-Syria and, if not, whether it is necessary to try and find another text or formula. We think that Article 14 should be approved for the time being as it stands and that we should go on to the next Article.

CHAIRMAN: The Delegate for Cuba.

Mr. R. L. PRESQUET (Cuba): Mr. Chairman, when the Delegate for Chile delivered his speech in Spanish he said that the Delegation of Cuba probably had not had time to study the proposal. When the speech was translated into English, the interpreter said that the Cuban Delegation did not take the time to study the proposal. We should appreciate it if the record could be corrected.

Mr. S. L. HOLMES (United Kingdom): Mr. Chairman, since both the Delegates for Chile and for the Lebanon have mentioned some remarks that I made earlier this afternoon, it might be appropriate for me to say one or two words, though I must apologise for intervening again.

First, perhaps I should say that I think that in the process of translation perhaps something has been attributed to me which should be more appropriately attributed to someone else, in reference, I think, to the possibility of some adjustment being made at some later stage of the Charter to go some way towards meeting the Chilean Delegate's point.

I think all that I said earlier this afternoon was that I wondered whether Article 39 (a) as it stands is not adequate for the purposes of the Chilean Delegate, but in so far as I am asked to say whether we propose immediately to abolish the preferential system of which we, the United Kingdom, are part, I think I ought to say at the outset that it takes two to make a preferential system - two or more - and I am not quite sure why he singles out the particular part of the British Commonwealth to which I belong to ask that question.

I must apologise for my lack of legal knowledge, because perhaps I am in no position to answer the point that he made in law, but I feel that a description of the preferential system to which we belong, and the way in which it has come into being, could perhaps best be given by reference to the speech, which the Chilean Delegate may have heard and will certainly have read, by the President of the Board of Trade, the Leader of the United Kingdom Delegation, at the opening Plenary Session of this Preparatory Committee in Geneva.

MR. S. L. HOFFES (United Kingdom) (Contd.): We feel that there is a difference between an existing, preferential system, which is a reflection of economic facts, and is also responsible for a certain direction of trade, and a system which does not, as I understand it, exist at all.

To introduce the complexity of a new system altogether, or an extension of some smaller existing system at this stage would, I think, be rather like the introduction, as a preliminary to the negotiations on which we are engaged, of a new and very substantially increased tariff.

As regards the remark by the representative of the Lebanon in regard to the arrangement between his country and Palestine, the reference was, of course, to an existing system, as the representative of Lebanon made amply clear - a system which has been in existence for sometime. That particular arrangement is, of course, covered by Article 14, paragraph 2(c), and the obligation of Article 14, paragraph 2(c), if accepted, would mean, as we see it, that the preferences in force between Palestine and between Syria and Lebanon on the 1st July, 1946 would, so far as they were not reduced to this negotiation, remain.

I think that is really all that I have to say on the subject because he has chosen to refer to an arrangement which is, in fact, covered by the terms of the article as it now stands, and the debate has been initiated by the representatives of Chile and the Lebanon and Syria in regard to systems or extensions of systems which are not covered by the present terms of this particular article.

CHAIRMAN: The Delegates of the United States.

Mr. WILLIAM BROWN (United States): Before I make the very brief statement that I would like to make, I would like to make one short statement for the record.

It is quite true that in my earlier remarks I did not mention the resolutions of the Rio de Janeiro Conference of Foreign Ministers in January of 1948, and the reason I did not was because the resolutions 7 and 14 which were referred to, merely suggested the desirability of studying the use of the neighbouring nations exception, and because of the fact that the Delegation of the United States at that meeting made a reservation even to those resolutions on the ground that they were inconsistent with the traditional policy and principles of international trade which had been maintained by the United States and enunciated at recent international conferences of American States.

Therefore, those resolutions could not be said to represent the unanimous opinion of the American Republics. Passing to the substance of the matter, my delegation is surprised and regrets that any feeling should exist that the Charter, or Article 14 in particular, should be deemed to represent any effort by highly industrialised nations to maintain a predominant position, and should be interpreted as not recognising the extremely important and vital problem of nations in the early stages of industrial development.

We had thought that the Charter as a whole - the statements, purposes in Article 1 - the provisions of Chapter IV - the whole concept of an international trade organisation in which countries large and small could sit down together to develop co-operative

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and mutually satisfactory programmes and action, rather than having nations continue in unilateral actions which might harm each other - was a recognition of the interests of small nations as well as large, and particularly of the importance of economic development.

We subscribe heartily to those provisions of the Charter, and if I did not make it clear in my opening remarks I would like to re-emphasise it. So far as the particular point presented by the Chilean and Lebanese and Syrian Amendment is concerned, we feel that one of the main objectives of the Charter, and this enterprise we are engaged in, is the elimination of discriminations in international trade; and therefore we and others who have preferential systems large or small are prepared to negotiate in good faith for their reduction and elimination, and we propose, and I am sure everyone else concerned does, to carry forward those negotiations in the best of faith and as expeditiously as possible.

We believe that discriminations in international trade should be eliminated for all nations, the small and undeveloped as well as the large and industrially developed.

The point has been made that only the preferential systems of the large nations are recognised in the Charter. I again would call attention to Paragraph II(c) of Article 14, which recognises the preferences which exist among neighbouring countries as on the date of July 1st, 1946, and in that connection I would like to ask the Delegate from Chile if the exception contained in the agreement with Czechoslovakia which his country just concluded refers to neighbouring nation preferences now in existence, or also to those which may be adopted at any time in the future.

In conclusion, Mr. Chairman, I would like to support the position taken by the French delegate, that we come to a conclusion on the text of Article 14. It seems to us that the issue presented has been fully discussed (and if it has not been fully discussed, we have another day allocated for that purpose), and that the issue is comparatively clean cut and simple; and therefore not appropriate for reference to a Sub-Committee, with consequent delay.

We feel that the provisions of Articles 13 and 38 should, even as they now stand, meet the problem put forward by the Chilean, Syrian and Lebanese Delegation; but of course we are prepared to consider any suggestions for the amendment of those Articles at the time when they come up for consideration.

M. ANGELO FAIVOVICH (Chile) (Interpretation): Mr. Chairman, I apologise for taking some more of your time, all the more so, as I am myself against all excesses of speech, but I am bound to present certain comments upon the statements made by the delegates of the United Kingdom and the United States. What the delegate of the United Kingdom has just said in his speech is the best confirmation of my own words when he said that the Charter was endeavouring to legislate on the economic and commercial system existing, and that, in consequence, was <sup>not</sup> to open the door to the consideration of problems and situations as are explained in the Chilean proposal. This is precisely the crux of the matter. I understand, and I think all the countries interested in our proposal would understand like me, that the Charter partially solves the various interests of the States concerned, but there is a saying that whoever writes, turns his writing in a favourable way for himself. I think that this proverb can be applied here, because the provision of Article 14 precisely covers the preferential system and the situation of countries which are interested in maintaining their present prominence, and is not written in the interest of countries who want a kind of safety valve to enable them to achieve some industrial development in their countries. Perhaps the case of England and the English Dominions is a precedent which should be incorporated in the system of the Charter, but in that case why should the situation of adjoining American countries, between which some preferential system might exist, be not as well considered as a precedent for incorporating in the Charter? In other words, why should any situation have a determining influence on the Charter? Thus I

think that the argument advanced by the delegate of the United Kingdom justifies my own argument.

Now, I would like to answer the question asked by the delegate of the United States with regard to the Czechoslovakian - Chilean trade agreement I have just mentioned, but before I do so I would like to say that I was surprised to hear no answer on the part of the delegates of the United Kingdom, Cuba and the United States to the question I myself asked from them. I have asked them whether they were ready to do away with the preferential systems which are confirmed by Article 11, and I would like them to answer my question, which I repeat.

Now, I will answer the question of the delegate of the United States. In the treaty with Czechoslovakia, as well as in other similar treaties which might be signed with other countries, it is not so much the question of preference as the question of exception, so that the preferences which might exist in future for adjoining countries would be mentioned, and their system of exception provided for, in Article 14. I wish to say also that I regret that the delegate of France, after what he said this morning, has now agreed with the delegate of the United Kingdom in considering that paragraph 4 of Article 38 could serve as a basis for a solution in order to meet the desires that I have expressed. Perhaps, it has been the result of a bad translation or perhaps the result of a bad understanding on my part, but in any case it seems that after the position which has been also reaffirmed by the delegate of the United States, there is an intention to close the door to the Chilean amendment. Thus, if this Conference does not want to study the reality and wants to put aside the proposal which might be made by countries with small development in order to achieve their fundamental aims, I think this Conference will permit an injustice and, in closing the door to the legitimate desires of this country, will probably, and possibly, open the door to misunderstanding, difficulties and finally, will put in jeopardy the very objectives it pursues.

CHAIRMAN: The Delegate of Czechoslovakia.

M. STANISLAV MINOVSKY (Czechoslovakia) (Interpretation):  
Mr. Chairman, may I clarify a point in connection with the observations made by the representative of the United States.

The question was raised as to whether the preferential treatment provided for in the Agreement between Czechoslovakia and Chile was dealing with preferences existing in the past, or whether it referred to preferential treatment in the future. The preferential treatment provision which was inserted into the Agreement was inserted at the request of the Chilean representative. I understand that such agreements, providing for preferential treatment, exist between Chile and Ecuador in particular, in South America. In this connection, although I have not the text of the Agreement referred to in my hands, I will mention the text of an agreement concluded between Czechoslovakia and the United States in the course of 1938. The text of the provisions of this Agreement reads:

"The advantages now accorded or which may hereafter be accorded by the Czechoslovak Republic to Austria, Hungary, Yugoslavia, Rumania or Bulgaria for the purpose of closer mutual economic co-operation between the Danubian countries, in respect of those commodities benefiting from special advantages now accorded by the Czechoslovak Republic to such countries, shall be excepted from the provisions of this Agreement."

This provision in the United States-Czechoslovak Agreement of 1938 was a consequence of the fact that the above-mentioned countries were in the past parts of the Austro-Hungarian Empire, just as the countries of the Near East were in the past part of the Ottoman Empire.

It is normal, when a situation changes, that the provisions which were inserted because of this situation should disappear. I repeat, I do not know the terms of the Agreement referred to, but the preferential treatment provision in this Agreement was put in at the request of the other party and I do not think that anything in it runs counter to the spirit of this Charter, and after all, this Charter has not been approved yet.

CHAIRMAN: The Delegate of China.

Mr. J. P. CHUNG (China) (Interpretation): Mr. Chairman, the Chinese Delegation considers that the amendment moved by the Delegate of Chile and the Delegates of Syria and the Lebanon, which aims at widening the scope of preferential treatment, would certainly give rise to difficulties at the present stage of our negotiations.

However, the Chinese Delegation is in full sympathy with the position of under-developed countries and therefore we wonder whether Paragraph 2 of Article 14 could not be transferred to the part of Chapter V which covers the case of general exceptions and in this way the position of the Chilean Delegate could perhaps be met.

On the other hand, we hope to see in the future a complete elimination of any preferential treatment.

CHAIRMAN: The Delegate for France.

M. ROJER (France) (Interpretation): I would like to say only a few words to dispel the slight misunderstanding, that seems to have arisen after the last statement made by the French delegate.

Monsieur Nathan has not said that Article 58 as it now stands is in agreement with the views expressed by the Chilean delegate. He has only spoken on the procedure. He has said that the question raised by the Chilean representative should be discussed not in connection with Article 14, but in connection with Article 58. He has also said that Article 14 should be maintained as it stands, and that it appears to him necessary to appoint a sub-committee.

I understand that Article 58 will come up for discussion on the 6th June, and then I think we can discuss the question raised by the Chilean delegate and see whether Article 58 as it stands is in agreement or not with the ideas expressed by the representative of Chile. I think, therefore, that there is no contradiction between those two statements made by the French representative this morning and this afternoon.

CHAIRMAN (Interpretation): It is getting late, and I think we could adjourn the meeting.

However, before parting I would like to address a question to the representative of Chile. A proposal has been made to him to withdraw his amendment to Article 14 and to take up the question later if it proves necessary, if he considers after the discussion of Article 13 and 58 that the solution given is not satisfactory to him.

I would like to know whether he could agree to this proposal, and I address the same question, of course, to the representatives of Syria and the Lebanon.

J.

M. ANGEL FAIVOVICH (Chile) (Interpretation): It would have been a great pleasure for me to accede to the Chairman's request. Unfortunately, I cannot do so immediately. I will ask the Chair to give me some time to think it over, and I will be able to give my answer tomorrow at the beginning of the meeting.

MR. MOUSSA MOULANI (Lebanon) (Interpretation): Mr. Chairman, since this is a joint amendment moved by us both, I associate myself with the request of the representative of Chile to the effect that some time should be given to us to discuss the matter, to consult among ourselves, and to give you our answer tomorrow morning.

CHAIRMAN (Interpretation): The meeting is adjourned until tomorrow at 16.30 a.m.

The meeting rose at 6.05 p.m.