UNITED NATIONS *NATIONS UNIES*

ECONOMIC AND SOCIAL COUNCIL | CONSEIL ECONOMIQUE ET SOCIAL

RESTRICTED
E/PC/T/A/PV/19
27th June 1947

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

VERBATIM REPORT

NINETEENTH MEETING OF COMMISSION A HELD ON FRIDAY, 27 JUNE 1947 AT 2.30 P.M. IN THE PALAIS DES NATIONS, GENEVA

Mr. MAX SUETENS (Chairman) (Belgium)

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

I will begin by apologising. We decided to postpone the meeting until 3 o'clock; unfortunately, I was unable to give due notice to all the delegates in time.

Mr. R.J. SHACKLE (United Kingdom): On a point of order, I can see no secretaries here.

CHAIRMAN (Interpretation): If you think we cannot begin without the secretaries, perhaps we had better wait a few minutes.

Mr. J. MELANDER (Norway): I suggest we begin, we cannot wait indefinitely.

CHAIRMAN (Interpretation): I share that opinion if Mr. Shackle has no objection.

MR. SHACKLE: No.

CHAIRMAN (Interpretation): We shall consider to-day Articles 25, 26 and 27. These Articles contain very difficult and complex matters, therefore in order to save time I would suggest that we limit our discussion in plenary session to questions of substance, and refer all drafting points to a sub-Committee which will be formed. Each time an amendment is submitted for the consideration of the meeting I shall give my opinion as to whether I consider that this amendment is one of form or of substance; and consequently whether it shall be discussed here or referred to the sub-Committee. It is, of course, understood that if the delegate concerned desires to discuss this amendment in the plenary session, he will be able to do so.

MR. O. RYDER (United States): Mr. Chairman, as I understood it, we are confining our attention to Articles 25 and 27. I believe you said Articles 25, 26 and 27.

CHAIRMAN (Interpretation): There was a misunderstanding. It is Articles 25 and 27 only. Article 26 will not be discussed.

Gentlemen, Article 25 consists of several paragraphs. We shall begin with paragraph 1. There is an amendment of the United States delegation referring to paragraph 1. I consider that it is an amendment of form and therefore I propose to refer it to the sub-committee, provided the United States delegation agrees.

MR. O. RYDER (United States): That is satisfactory, Mr. Chairman.

CHAIRMAN (Interpretation): Thank you.

We now come to paragraph 2, sub-paragraphs (a) and (b). The first amendment we encounter is the amendment submitted by the Australian delegation which concerns sub-paragraph (b). Sub-paragraph (b) in its present draft reads: "Export prohibitions or restrictions temporarily applied to relieve critical shortages of foodstuffs or other essential products in the exporting Member country". Now, the Australian delegation's proposal is to include the words "prevent or", reading "temporarily applied to prevent or relieve critical shortages".

I expect that the delegate for Australia would like to say a few words on his amendment.

DR. H.C. COOMBS (Australia): Mr. Chairman, I do not think it is necessary for us to say very much on this. We suggest the inclusion of the words "prevent or" in front of "relieve critical shortages" because it does seem to us to be foolish to wait until

the horse has bolted before you shut the stable door. In other words, there may be conditions in which a critical shortage of foodstuffs is clearly imminent, and we would wish for ourselves and for other countries to be able to take necessary action to deal with that situation without having to wait until the damage has been done.

CHAIRMAN (Interpretation): Do any other delegates wish to speak on this amendment?

MR. J.J. DEUTSCH (Canada): I would like to support the Australian amendment for the reasons which he has given.

CHAIRMAN (Interpretation): The delegate for New Zealand.

MR. L.C. WEBB (New Zealand): Mr. Chairman, I would like to support the Australian amendment.

MR. C.L. TUNG (China): Mr. Chairman, the Chinese delegation also supports this proposal.

CHAIRMAN (Interpretation): The delegate for the United States.

MR. O. RYDER (United States): Mr. Chairman, we are in agreement with the purposes of the amendment but I think it is probably inexplicit as the paragraph is written now but I am perfectly willing to have it clarified. I am not certain that "prevent" is the best word there, and so I suggest that it be referred to the Drafting Committee for phraseology, but I agree with the principle of it.

CHAIRMAN (Interpretation): The delegate of Belgium.

M. P. FORTHOMME (Belgium) (Interpretation): Mr. Chairman, I want to make a point on the French version. I do not think "s'opposer" is the exact translation of "prevent", and I should rather suggest "prevenir" which, moreover, has the advantage of meeting the point raised by my American colleague

CHAIRMAN (Interpretation): M. Baraduc.

M. BARADUC (France): Mr. Chairman, I was about to make the same remark as the representative of Belgium - a remark concerning the French translation of the word "prevent". Moreover, the French delegation is of the opinion that the sub-committee which will consider Article 25 should give the utmost attention to the Australian amendment with which the French delegation fully agrees.

CHAIRMAN (Interpretation): Gentlemen, I believe that we are all agreed to accept the Australian Amendment as to its substance and to refer the actual terms which were being put in the Draft to the Sub-Committee.

Are we all agreed, Gentlemen?

We shall pass on to the other Amendments.

The Delegate of Norway.

Mr. MELANDER (Norway): Mr. Chairman, we have an Amendment on 2 (a) which was not included in Document W/223 because it came perhaps a little later. It refers to the last paragraph of 2 (a) and the proposal is to replace the words, 1st July 1949, by 1st March 1952.

The reason why we suggest that is that we think that the rules applicable to the exchange control regulations as laid down in Article 14 of the Monetary Fund Agreement ought to apply in a parallel way to Article 25 2 (a). That is the purpose, and that would lead to the alteration we have suggested, as the Monetary Fund, started operations on 1st March last year, and as Article 14 Section 4 refers to a 5-years period in the course of which the exchange control regulations shall be brought to an end.

CHAIRMAN: The Delegate of the United States.

Mr. OSCAR RYDER (United States): Mr. Chairman, as I understood the rules, an Amendment presented after the fixed date was not discussed, it was referred automatically to the Sub-Committee.

CHAIRMAN (Interpretation): That was indeed the rule. However, I personally do not see any inconvenience whatsoever in the Amendment being discussed here.

The Delegate of the Netherlands.

Mr. SPEEKENBRINK (Netherlands): Mr. Chairman, I think I would like to have it discussed here because this is an important proposal. I would like to draw your attention to this - that as the state of affairs is now, the Charter and also the ITO would be very optimistic if they considered being in existence before the middle of next year, or even later, so if we put in here a date so early as 1st July 1949, we ask practically immediately the ITO to start considering whether it should extend the period in the case of every country.

I therefore do believe that an extension is wise. I do not know whether we should have 52, I have not made up my mind on that, but I think it is a little bit optimistic to put in here the date, 1st July 1949.

CHAIRMAN (Interpretation): Gentlemen, it is quite obvious since this Amendment was presented at a late stage that certain Delegates will ask for a certain period of reflection.

Therefore I shall ask the Delegate for Norway whether he will consent that his Amendment will be discussed somewhat later.

Mr. MELANDER (Norway): Yes, that is allright.

CHAIRMAN (Interpretation): Gentlemen, I am informed that a new Amendment will be submitted by Mr. Coombs in relation to paragraph 2 (c). I shall make on this new Amendment exactly the same remark I made before. I do not know the contents of the Amendment. It is probable that we shall need time to think it over. Therefore I will ask Mr. Coombs to tell us briefly the purport of his Amendment.

Mr. COOMBS (Australia): Mr. Chairman, we are not specifically putting forward an Amendment covering this point, because we are not certain it is necessary. But I want to raise the point, so that when the Sub-Committee comes to consider this question we can assure ourselves that the point is adequately covered. We do not wish to present an Amendment.

Briefly, the position is that 25 2 (c) as it stands approves the exception of Import and Export Prohibitions and Restrictions which are necessary to the application of Standards of Classification and Grading of Commodities.

Now we in Australia do conduct a number of marketing schemes of the kind which this Article is intended to deal with. Some of these are covered adequately by Articles 32 and 33, where they do actually buy and sell the commodity concerned.

In other cases, however, they merely lay down conditions of purchase and of sale, and for their operation by that means the frequent practice is to require them to obtain export licences which are granted perfectly freely on condition they conform to the requirements which are necessary. For instance, to quote one example, we do have a marketing scheme which covers butter, and we do provide that export licences are required which, as I say, are granted completely freely, provided that the requirements of the marketing scheme are adhered to.

One particular purpose for which this control is used is to spread the supplies of butter on to the normal market over a rather longer period than they would be, normally, if the marketing were left completely free.

This has advantageous results both from the point of view of Australia as the producing country, and of the consuming countries to which the butter is exported. It means the maintenance of a stable flow of supplies and less instability, therefore, in the prices of the product. It is not used in any way which could be reasonably described as restrictive over the period of the operation of the scheme. We are uncertain as to whether the present wording does clearly authorize procedure of that sort. We believe that such procedure is strictly in accordance with the purpose of this Article, and that the Board conducting this marketing procedure is guided by strictly commercial considerations, and that the procedure is in the interests not merely of the selling party but of the buying parties as well. We would wish, therefore, to have it clearly established that this Article authorizes procedure of that sort. We are content with the present wording so long as we are so assured. If there is any uncertainty about it, we would wish to have an amendment to go in which would clarify the issue.

CHAIRMAN: The Delegate of the United States.

Mr. Oscar RYDER (United States): It seems to me that the question of the Delegate of Australia might be referred to the sub-Committee, as I think there is no question that the kind of marketing regulations described by the Delegate of Australia are intended to be permitted by this Article, and if it is necessary to clarify that by a note or even an amendment to the text, it would be agreeable to my Delegation.

CHAIRMAN: The Delegate of Canada.

Mr. J.J. DEUTSCH (Canada): Mr. Chairman, I agree with

the remarks of the United States Delegate that the type of scheme the Australian Delegate describes should be permitted, and if the text does not now provide it, it should be so stated.

CHAIRMAN (Interpretation): Gentlemen, are we all agreed that the question should be considered by the sub-Committee? (Pause). We all agree apparently. We pass on now to paragraph 2(d), which deals with exceptions to the agreements on basic commodities. We have, however, two amendments which tend to change the place of this paragraph and to transfer it to Article 37. If this is done, paragraph 2(d) will not only list exceptions to Article 25 but will list all exceptions to Chapter V. I personally believe that this matter could be usefully referred to the sub-Committee, provided the Delegations concerned agree with this point of view.

The Delegate of the Netherlands.

Dr. A.B. SPEEKENBRINK (Netherlands): Mr. Chairman, before you refer this matter to the sub-Committee, I would like to state that the position is not so simple as it seems here. In this connection I would like to refer to E/PC/T/W/207 in which the Netherlands Delegation proposed a new Article 57A. The argument we put forward was that we have many parts of Chapter V dealing with the subject of Chapter VII, and we thought it might be useful not to overburden Chapter V with cross-references to Chapter VII. I therefore wonder whether it is sufficient to refer this small point of paragraph 2(d) to the sub-Committee who have to look into the whole matter of Chapter V and Chapter VII,

but I would not like to let paragraph 2(d) go to the sub-Committee without having referred to this proposal.

CHAIRMAN: The Delegate of the United Kingdom.

Mr. R.J. SHACKLE (United Kingdom): Mr. Chairman. I am bound to say that I feel very doubtful about the proposal contained in the Netherlands paper W/207. It seems to me that the procedure involved in Chapter VII is a lengthy, complicated and rather cumbersome one, and I should be very sorry to see it having to be invoked under any one of the large number of Articles of the Commercial Policy Chapter. It is suggested here that it might be brought in not only into the present Article about subsidies, but also into the maximum price margin under state trading (Article 32); Import restrictions (Article 25, 2(e)), the paragraph we are now about to discuss: anti-dumping and countervailing duties (Article 17), and also other proposed exemptions under Chapter V.

Well, I cannot help feeling that if the whole mechanism of Chapter VII has got to be brought into play under each one of these Articles, a great part of the Commercial Policy Chapter is going to be practically unworkable, and I am bound to say I do not like the proposal.

Dr. A.B. SPEEKENBRINK (Netherlands): Mr. Chairman, may I just answer one thing. It was not my intention that we should have this discussed. I can quite see that other delegations might have objections, only I think it does throw a clear light on the main points where Chapter VII touches on Chapter V, and the only reason why I refer to this is that when it comes to referring to one paragraph taking the place of another paragraph under Article 25, it might be useful to look into the whole problem, and it is the only reason for my argument at the moment.

CHAIRMAN (Interpretation): Does the representative for the Netherlands see any objections to the question being referred to the Sub- Committee for consideration? The Sub-Committee will make due allowance for the statement now made by the representative of the Netherlands.

Dr. A.B. SPEEKENBRINK (Netherlands): I am in agreement with you, Mr. Chairman, if the Sub-Committee will contact the other Sub-Committee.

CHAIRMAN (Interpretation): Does everyone agree on this point? Agreed.

Mr. L.C. WEBB (New Zealand): Before we pass to (d), could I raise one point in connection with this sub-paragraph? I understand the view referring to the general proposal to transfer the substance of (d) to Article 37, as not being a matter of great substance, but I would draw your attention to the matter raised (at the top of page 5 of W/223) on the United States amendment which, in fact, proposes what I think is a change of substance in that it proposes that the exception here should only refer to regulatory inter-governmental commodity arrangements. That seems to me to be a

question of substance, but I would point out that the Committee which is dealing with Chapter VII has a proposal which, in effect, demolishes this definition of regulatory intergovernmental commodity arrangements. It seems to me that there is a slight point of difficulty here, and it is very much a question of substance whether this exception refers to all intergovernmental commodity arrangements or only to one type of them.

Mr. R.J. SHACKLE (United Kingdom): Mr. Chairman, we thought in the case of our proposed amendment and the United States amendment, that we should have to wait for the revision of the Sub-Committee on Chapter VII. I am bound to say that apart from the revision made by that Committee, we ourselves see no objections to the inclusion of the word "regulatory". Regulatory agreements were contemplated in the New York text, and that is the type of question which would arise, but it seems to me that possibly it may be difficult to come to a decision on the precise wording of this new paragraph for Article 37 at the present moment until there has been an opportunity of seeing how Chapter VII has been changed in the Sub-Committee. We might possibly content ourselves with discussing the principle of Article 37, while leaving the precise wording unsettled for the moment. I think our feeling was that it may well happen that commodity agreements may involve other things than merely quantitative restrictions. There may be agreements about subsidies and tariffs and other things, and therefore it is desirable to make a wider one exception than in the present Article on quantitative restriction, but as I say I think the precise formulation will have to wait until we have seen what has happened to Chapter VII.

CHAIRMAN: Mr. Ryder.

Mr. Oscar RYDER (United States): I want to express general agreement with what the British delegates has said. It seems to me it will be initially for the sub-Committee on Chapter VII to determine the character of the provisions in Article 37, and for this Commission finally to adopt or reject them.

CHAIRMAN (Interpretation): Does any other delegate wish to speak on the subject? It seems to me that it would be wise to wait for the final fate of Chapter VII before we embark upon a general discussion. We shall therefore postpone the discussion on this amendment.

Paragraph 2 (e). We come now to a discussion on paragraph 2 (e). Numerous amendments have been presented dealing with this paragraph. I recall that the paragraph intends "to restrict the quantities of the like domestic product permitted to be marketed or produced." Two delegations, that of China and the Netherlands, have submitted amendments proposing to replace the word "restrict" by the words "to regulate the quantities", and then to add also the words "or stabilise the prices of such products."

We also have an amendment submitted by the delegation of Norway. This delegation also prefers the word "regulate" to the word "restrict." However, the Norwegian delegation wants to spread the provisions of sub-paragraph (e) to similar derived products.

I think we might begin our discussion by one of the amendments which have been submitted to us.

R.J. SHACKLE (United Kingdom): I think there are three paragraphs here which should be read together. First of all, there is that part of the Netherlands amendment which introduces a reference to "like or a directly competitive domestic product." Then there is the Norwegian proposal which deals with "domestic products

wholly or in part produced by the imported commodity". Thirdly, there is the point of the interpretation which we have given notice to raise on ... I do not know whether it is worth while to raise my point now, but it might possibly be convenient for me to do so, because the connection which I see between them may perhaps become clear.

I will deal with the point by way of a practical example. It may become necessary for us in the United Kingdom to regulate the landings of fresh fish from British fishing vessels, so as to avoid as far as possible the glut landings of fish that happen from time to time which, of course, make the price suddenly collapse. In these circumstances, we should have to regulate imports within the provisions of this Article so as to counterbalance the regulation of the landings of the home caught fish. Clearly, it is no use regulating the landings of home caught fish if fish caught by other countries' fishing boats can be brought in and produce those gluts which the scheme would be designed to avoid. Under these circumstances we should have to regulate imports within the provisions of this paragraph, and that would mean that the requirements as to maintaining the proportion between the home caught and imported fish must be related to the proportion in a previous representative period, subject to any special factors that may affect the position. It is quite clear that it would be impossible to work a satisfactory scheme of that kind if we can regulate the fresh fish - fresh herrings or fresh haddock - in that way, but could not at the same time regulate the imports of those fish at the next stage of processing, that is to say, smoked herrings and smoked haddock, and that for two reasons, because in the first place the fresh fish is a raw material from which the smoked fish is made, and secondly, because the smoked fish competes directly with the consumer of the fresh fish.

So we assume that the country with a regulatory scheme of that kind would be entitled, for example, to regulate imports not only of fresh fish, fresh herrings and haddock, but also of smoked herrings and smoked haddock. This regulatory scheme could not be worked satisfactorily if that were not the case.

We think that that is, in fact, the intention of this paragraph as it now stands. It speaks of fisheries products imported in any form, and on our interpretation, what I have said would fall within the words of this paragraph, but I would like to make sure that that is the view of this Committee.

I should say that while I have quoted instances about fish, those are not necessarily exhaustive. The question may also arise as regards other agricultural products, but the most obvious cases do concern fish. I hope I have made myself clear.

I think I will hand in to the Secretariat in due course a paragraph which says briefly what I have now said, so that it might go on record, and if desirable the sub-committee could look at it before making up their minds. I think I will now hand the paragraph over to the interpreter.

I should, perhaps, add this: that it does seem to me that in connection with the Norwegian and Netherlands amendments on this, unless I misunderstood them, they deal with this same point that the regulation on fresh products may be circumvented by imports of that product in the next stage of processing, that is to say, in the case of smoked fish as compared with fresh fish. Thank you.

CHAIRMAN: Monsieur Speekenbrink.

DR. A.B. SPEEKENBRINK (Netherlands): Mr. Chairman, if I may just add an augmentation to that of Mr. Shackle's. We think that once you have taken a position to restrict or regulate

quantities of imported products for various reasons in the economic and social field and you intend there to stabilize the price of such products, with these considerations, it is not sufficient that you will only restrict, for instance, the import of wheat, where you have maize and rye and products that could be used, to a certain extent, for the same purpose. Therefore, we propose to have here "the like or a directly" - I repeat "directly" - "competitive domestic product". It is not our intention to look here for a new escape clause or something like that, but we do not see how we can ever work a measure of a scheme as proposed in this paragraph without extending the scope of these commodities to this directly competitive product, thereby fully submitting to the judgment of the International Trade Organization and its bodies.

I then return to the arguments of Mr. Shackle. I cannot see much difference, for instance, between wheat and rye and between smoked herrings and haddock, and I will even go further - he talked about smoked herrings, well that is one stage further. I am still in the first stage when I discuss competitive products here.

CHAIRMAN (Interpretation): The Delegate of China.

Mr. TUNG (China): Mr. Chairman, the Chinese Delegation attaches a great deal of importance to the provisions of this sub-paragraph. We have submitted Amendments in the Drafting Committee to minimise the effects of these policies on the national economy of agricultural countries. We feel we have to conform our position to the present proposal for the following reasons.

In the first place, an under-developed country like China, with the livelihood of most of her people dependent on agricultural economy, regards the price structure of her agricultural products as of vital importance. It not only affects the standards of living among masses of her population, but also determines the success or failure of any attempts at industrialisation. The Government of such a country must be able from time to time to adopt prompt and effective measures to regulate the variety and quantities of agricultural products, in order to stabilise their prices and maintain a proper balance between foodstuffs and raw materials on the one hand and industrial manufactures on the other. Yet this is extremely difficult to achieve under the Draft Charter as it now stands, for it fixes a prerequisite condition in the form of a proportion between the domestic output and imports of agricultural products.

The second point is that the rigid provisions of paragraph 2 (e) will prevent an agricultural country from developing her own capacity of production and perpetuate her dependence on external supplies to meet her vital requirements. Such a country may have been compelled for long periods in the past to import large quantities of agricultural products on account of natural

calamities, social disturbances or simply transport difficulties. Yet none of these temporary emergencies is an adequate reason why that country need or should permanently depend on foreign supplies. As soon as these emergencies have passed and order has been sufficiently restored, the home supply of such products would tend naturally and steadily to increase, accompanied by a corresponding decrease in the demand for the imports of like products. If, however, she were forced to couple this decrease with a proportional reduction in the quantity of domestic like products, as purported by the Charter presented by the New York Drafting Committee, the effect would be highly disastrous. It would impair her capacity to supply the major portion of her own needs and perpetuate her reliance upon foreign food and raw materials to feed her people and her vital industries It would, moreover, cause a heavy drain on her foreign exchange resources which might otherwise be available for the purchase of foreign capital goods. Such an unfortunate result would be contrary to the aims of this Charter and would render nugatory its provisions for assistance in the industrialisation of under-developed countries.

The third reason is that the supply of these agricultural imports, on which a Member country is made to rely so much to meet her vital needs, may not be always reliable. Natural disasters, social unrest, transport breakdowns may also operate at any time in the sources of supply, and thus cause serious interruptions to a steady flow of products from the supplying countries. Again, for unforeseen reasons of an economic or political nature, these countries may be compelled to make sudden adjustments of production and exportation, thereby severely curtailing their customary supplies to the said Member country.

This would certainly result in an abrupt and uncontrollable price disturbance in her home market and might even lead to widespread starvation and unremediable dislocation in many of her industrial enterprises. It is, therefore, highly arbitrary and unfair to tie the economic destiny of a Member country to unpredictable external supplies by a rigid formula of proportional reduction as set forth in paragraph 2 (e) of Article 25.

For these reasons the Chinese Delegation strongly recommends the adoption of the foregoing Amendments, including the deletion of the last three sentences of the said sub-paragraph in the original draft.

Mr. Chairman, the Chinese Delegation does not only object to the reduction of products, we also object to this fixed proportion which is set by the sub-paragraph between agricultural imports and domestic products; and we are ready to agree with the Netherlands and Norwegian proposals in re-wording the first sentence of this sub-paragraph; but we insist on the deletion of the last three sentences in the original Draft.

CHAIRMAN: The Delegate of the United Kingdom.

Mr. R.J. SHACKLE (United Kingdom): Mr. Chairman, if I may I should like to refer to my previous remarks and also to those made by Dr. Speekenbrink. It is quite clear from what Dr. Speekenbrink has said that his case is not like my case.

He has in mind two products in the same stage of processing. I have in mind one and the same product in different stages of processing. I would like to add just this for Dr. Speekenbrink's consideration, that, of course, it is clearly open to him, as the paragraph now stands, if he regulates both wheat and rye, to regulate the imports correspondingly. On the other hand, in the case of the fresh herrings and the smoked herrings, we control all the imports of the fresh herrings. It follows from that that ipso facto we are put in indirect control on the production in the United Kingdom of smoked herrings, so there is a difference there between our case and his case. In our case, the one product is the raw material of the other, and we cannot control them both. On the other hand, so far as I can see, in the case Dr. Speekenbrink has mentioned, it is not clear on the face of it why both the competing products should not be controlled. The only other thing I would add is that it still seems to me that probably the Norwegian amendment has my point in mind. No doubt the Norwegian Delegate will explain that to us.

CHAIRMAN: The Delegate of China.

Mr. C.L. TUNG (China): The Chinese Delegation has in mind that China's big problem is in respect of raw materials. Other countries also have the same problems, but they have very good remedies. We have to feed our people and clothe our people within our own doors. I think it is fair to supply the major portion of our own foodstuffs and raw materials. We do not want our economic affairs to be bound by such a fixed law, and so make China dependent upon foreign supplies which are not always reliable. The reasons I have already explained in full in the paper.

Mr. F. GARCIA OLDINI (Chile) (Interpretation): Mr. Chairman, you may recall that, in London and New York, we have made reservations about this paragraph because we believed then, and still believe, that it should not be restricted to purely agricultural products and products coming from fisheries, but should also apply to industrial products. If we had to go by the principle of equilibrium and justice, and if we had to abide strictly by the provisions of the Charter, we should suggest deleting this paragraph. However, in asking that certain measures be taken in order to protect the industrial products of industrially rather backward countries, we recognise that other countries may request that the same measure should be applied to develop their agriculture or their fisheries. In studying the text of the New York Draft, we see that provisions tending to restrain the market quantities of similar/products were limited in it, and have now been considerably widened, and that beside the concept of regulating we found a new concept of stabilising as well. Furthermore, we have formulated that provisions were limited to similar national products now that the provisions have been extended to competitive products. This question has already raised many controversies, and probably will go on doing so. Furthermore, we see that there is a new notion here of product wholly or in part produced, and we wondered whether for the sake of logic, and if we do not want to delete this paragraph, if would not be advisable to add provisions applying to industrial products with all due reservations of course. Incidentally, I find that, further on in the same text, there are amendments tending to achieve that object. Our intention is to support these amendments, which tend to add these provisions, but if they should be adopted here, we would have to abide by the reservations that we have already made in London and New York.

Mr. B.N. ADAKAR (India): Mr. Chairman, in connection with this discussion on sub-paragraph 2(e), I would like to draw your attention to a reservation made by the Indian delegation in London and in New York, which has been refebred to on page 8 of the Annotated Agenda. The amendment suggested by the Indian delegation on this paragraph is more or less similar to that suggested by China, and so far as the concept of stabilising the prices of primary products is concerned, I think it is incorporated in the amendment suggested by the Netherlands delegation also. I would only add that our main reason for suggesting this amendment was to provide for a situation in which import regulation becomes necessary in connection with/the domestic scheme for stabilising the prices of primary products, even when the primary products concerned are not in surplus supply. Under the draft as it stands, it is possible to introduce import regulations only in connection with measures which operate to restrict domestic production or market. Restriction on production is necessary only under surplus conditions, but in countries which depend on primary production to a very large extent, and/the stability of which/economy depends - the stability of the income of private producers - schemes for stabilising the prices of primary products are necessary, even under normal conditions whether the normal supply position is of shortage or of surplus. If such schemes are to be efficiently operated and managed, it is necessary that governments concerned should have effective control over supplies as well as prices, and therefore it is necessary that the governments should have power to regulate imports even when no measures are found necessary to restrict domestic production or markets. It seems to us, therefore, that the insertion of the words "regulate production or marketing" is an improvement. So far

as the question of stabilising the prices of primary products is concerned, I am inclined to think that if the words "regulate the production or marketing of such products, or marketing of likely domestic products" are inserted, then that might perhaps dispense with specific reference to the concept of stabilising prices, because any scheme which seeks to stabilise prices will, in most cases, involve regulation of production in the market of domestic products. Therefore, if the word "restrict" is retained, it will be necessary to make a specific reference to the other objective of stabilising the price of domestic products. But if that word were replaced by "regulate" then the specific reference to stabilising the price of domestic products would not be necessary.

As regards the other suggestion made by the Chinese delegate, which was also made by the Indian delegate on another occasion, namely, the deletion of the last three sentences in this sub-paragraph, beginning with the words "moreover, any restrictions applied" which requires a fixed proportion to be maintained between domestic production and imports, I would point out that this question is directly related to the other question of permitting the use of quantitative restrictions for protective purposes, because the idea underlying the suggested provision is to prevent the use of quantitative restrictions for protective purposes, that is to say, for the purpose of securing for domestic products a greater share of the domestic market. We have prepared an amendment on this subject in the form of a separate Article under Article 26(a), but we would be quite prepared to leave the consideration of this paragraph until after a decision is arrived at on the other amendment.

On the present occasion I would suggest for the consideration of the Committee that whatever the merits of the position of allowing a fundamental restriction on quantities are, that restriction should not be applied to any situation in which agricultural products are in surplus supply. After all, it must be recognised that domestic producers have a prior claim on the domestic market. If, in a country which is dependent on imports the domestic market is all the domestic producers have, they have no alternative but to sell their entire product to the domestic market. The importers have the opportunity of going to other markets, but the domestic producers are absolutely helpless in a situation in which there is a local surplus. We therefore suggest that the application of this principle should be modified in this particular instance, but we would be quite prepared to reconsider the position of this paragraph after a decision has been reached on the other question.

Mr. DEUTSCH (Canada): The Canadian delegation has always had great difficulty with this sub-paragraph. We are quite sympathetic to some of the remarks that have been made by the delegate for Chile. It does seem to us that if we have regard to the logic of this Charter, and if we have regard to maintaining a fair balance between agricultural and industrial products, that we should delete this sub-paragraph. It does draw a distinction between the treatment that has to be accorded to agricultural exports and exports of industrial products. This sub-paragraph would allow the imposition under certain conditions of quantitative restrictions against agricultural products. That is not permitted in the case of industrial products, and therefore there is on the surface, and I think fundamentally, a distinction here in the treatment of countries that are dependent upon industrial exports and those that are dependent upon agricultural exports. The Chileen delegate has suggested the ultimate logic of this is that we should allow the same privileges to countries that import industrial products. There is a good deal of logic in that position. However, we would like to see neither situation; we would like to see the same treatment accorded to both which would be the result if this sub-paragraph were deleted.

However, there have been arguments made in support of this sub-paragraph, arguments that one can understand, namely, that countries that are confronted with difficulties with agricultural producers, confronted with the problem of burdensome surpluses, can only be corrected by the adoption of a programme of adjustment by the Government, involving the control or restriction of production. The theory of the sub-paragraph as it now stands is that if a country, in order to deal with a burdensome surplus of agricultural production, adopts a programme which involves the restriction of production so as

to overcome the surplus, then that country may impose quantitative restrictions against imports. That is the theory of the paragraph as it is now written. The justification is that there is very little purpose in restricting domestic production if at the same time you allow imports to come in freely. One frustrates the other. If you are really to restrict domestic production, you must also restrict imports. There is logic in that argument.

Of course, the same logic, perhaps, could be applied to industrial goods, but a distinction is made with agriculture, which is much more difficult to deal with than industry. But now, Mr. Chairman, these amendments seem to us to destroy any logic there is left in this sub-paragraph, and if these amendments are adopted, then I suggest that the Chilean delegation's arguments are unnecessary.

The first amendment I wish to consider is the substitution of the word "regulate" for the word "restrict". Now, the word "restrict" is very important here, because it is addressed to the correction of a problem, namely, the problem of dealing with an unmanageable surplus, and we are trying to restrict production to deal with the unmanageable surplus, and if you restrict production therefore you have to restrict imports, but if you substitute the word "regulate", it may mean anything; it does not require restriction; you may have any kind of programme about agriculture; it may even mean increasing production in a regulative fashion. It may mean any number of things, and therefore the logic of this would be entirely destroyed. In other words, if you do anything about agriculture in the way of a government programme, you can restrict imports. This is what it comes down to. Now, it seems to me that if that change is made it would destroy there any logic, if there is any left, in support of this particular paragraph.

Another consideration has now been introduced, namely, to stabilise prices. In other words, if you adopt the programme to stabilise prices, you will get an exception from the rule against quantitative restrictions. That is an entirely new idea as far as this Charter is concerned, and why limit it to agriculture purely? It would greatly extend the application of this paragraph if, every time you had any kind of a programme which stabilised

prices, then you could apply quantitative restrictions against imports. Now, that seems to us to widen this very greatly.

Finally, the suggestion is that we should be allowed to regulate the quantities of the like or a directly competitive domestic product. There is some logic in the argument that has been made there, but it would seem to us that if the import of a directly competitive product is to be restricted, then the domestic production of that article should also be restricted. I think the remarks of the member for the United Kingdom are very pertinent in that connection, that is, if you want to control the imports of a directly competitive product you should also, at the same time, according to the logic of this argument, restrict the domestic production of that same product. It is always open to any country, if it can meet these conditions where it is necessary to control quantities of a directly competitive product for the reasons given in this paragraph, to restrict the output of the domestic product, and then it may restrict the imports of the same product. But if it cannot meet the conditions specified, then it should not have the right to control the imports of those products. Again, the net effect of this additional "like or a directly competitive domestic product" would be to widen the application of this Article.

For these reasons, Mr. Chairman, we take a very serious view of these amendments. It seems to us that they would destroy the basic logic of this sub-paragraph, insofar as there is any logic to it, and would take us very far afield in the general balance and general structure of this Charter, and we would get to the position where the remarks of the delegate of Chile, to our minds, would be unanswerable. Thank you.

CHAIRMAN: The Delegate of Czechoslovakia.

Mr. AUGENTHALER (Czechoslovakia): Mr. Chairman, I think that we have recognised in our work until now that there is some substantial difference between primary commodities and the manufactured articles; and that it is, more or less, also the basis of the Amendments presented here.

I would like to state that we are in favour of the Netherlands Amendment as it stands here, because it is short and it is clear. Now, on the other hand, we are framing here certain rules for certain occasions. It may be that some countries are following the same aims by means of other procedures or by means of other instruments, such as, for instance, the State monopolies or State tradings; and that is why we think that when Article 32 has to be formulated there should be in Article 32 no provisions which would request from countries following the same policies as here, which would discriminate, or which would impose some other duties than those imposed upon countries here according to Article 25 2 (e).

Thank you.

CHAIRMAN: The Delegate of Brazil.

Mr. RODRIGUES (Brazil): Mr. Chairman, after reading in my country paragraph 2 of Article 1 of the Charter, which reads, "To further the enjoyment by all Member countries, on equal terms, of access to the markets, products and productive facilities which are needed for their economic prosperity and development", we think we presume to give up too many quantitative restrictions, and should try to follow as much as possible the tendency of the Charter drafted by the United States; and because we believe sincerely in that drafting, which

in general was aiming at a better situation for international trade, we came to this second Preparatory Committee. Especially in regard to negotiations we tried to co-operate, and we made a lot of reductions and gave concessions in such a way as to show very clearly our desire to reach a position that could be a stone in that building we are trying to build here.

Everybody knows that Brazil had, before the war, semi-restriction, and a very stiff legislation about the importation of some goods; but we are giving up all of these restrictions. But what we think most of all in our discussion here is that we are going very far from the first drafting, and countries like Brazil, which are less developed, and which follow with all sincerity, and with a real desire to co-operate, this draft, now are having a very sad experience.

We are in a position of not being able to explain well our attitude here in regard to our acceptance of the rules, which, in the first moment, would be looked at as being against our interests; and now we have to accept measures which are being designed and suggested by countries in a better state of industrial development which are really unfair, especially if you take into consideration what the Delegates for Chile and Canada have explained so well.

Because of this I cannot agree with the Amendments presented with regard to paragraph 2 (e), but I would suggest that the Amendment presented by the United States on page 10 of this Report should be approved; otherwise we have to reserve our position and be strongly against any other measure which is going very far from the Charter in which we believe, and upon which we take up our attitude here.

CHAIRMAN: The Delegate of Norway.

Mr. J. MELANDER (Norway): Mr. Chairman, the Norwegian Delegation is in agreement with those Delegations who have expressed the view that quantitative restrictions ought not to be allowed to be used as a protective measure as a general rule. We are in full agreement, consequently, with the principle laid down in Article 25, paragraph 1.

In regard to the exceptions in paragraph 2, and especially 2(c), with which we are now dealing, we think that the general view that quantitative restrictions ought not to be applied ought to be kept as the background when we discuss this Article. On the other hand, I think that we have recognized during the discussion of the different Articles and Chapters of this Charter that there may be a necessity to distinguish between agriculture and agricultural products and manufactured goods.

The problem of protecting agriculture is really not a problem akin to the protection of industry. The problem of protecting agriculture is a problem of a different order. It is not only a question of the standard of living, but there are also other implications, as I think all the countries in Europe which have been occupied during the War will attest to.

Now, in regard even to agricultural products, we think that to use quantitative restrictions even then we ought to be very careful, and to very carefully define the cases in which one ought to be allowed to use these measures for protective purposes.

To start with the general remarks which have been put forward by some Delegates here, I think that, generally speaking, we would be in agreement with those Delegations who have expressed grave doubts as to the rightness of extending these provisions to, for example, covering the stablization problems and to certain

other aspects. Further, we think also that one will have to be very careful in extending the regulation in paragraph 2(e) to cover not only like but competitive products. That, we think, is of a dangerous character and one has to consider it very carefully.

In regard to agriculture, on the other hand, it may be that it would be necessary to introduce certain alterations. The alteration which we ourselves have put forward has one very limited objective. The text which we have produced does not, perhaps, clearly indicate what we have in view, so I would like, in a few words, to indicate that. What we have in view is that the production in Norway of meat, eggs, bacon and so on has, generally speaking, tended to increase to such an extent that it has been necessary to restrict it. That is our experience during the inter-War periods. Now, in order to restrict that production we could introduce regulations of the kind already indicated here; but we have come to the conclusion that the best way in which to restrict the production of, so to speak "finished" agricultural products, namely, meat, bacon, eggs, milk and so on, is to restrict the importation of agricultural feeding stuff.

When I say "restrict the importation of agricultural feeding stuff" I have, of course, in mind that some Delegation might then say, "Well, if you restrict the importation of feeding stuff you have to restrict the production of feeding stuff in your own country". The reason why we have not suggested that is that there is really only a very limited production of feeding stuff in Norway at all, and the possibility of increasing it is very limited - practically nil; so that through the restriction of imports of feeding stuff we do not

protect Norwegian production. If we should restrict that little cultivation of grass, of whatever it might be which would be the parallel rule here, it would imply administrative measures which would really be too big and too expensive in relation to the costs. Therefore I would make it clear that when we introduce this rule to restrict the importation of feeding stuff in order to restrict the production of meat, milk, eggs and so on, that is not in order to protect the production of feeding stuff in our own country. That is really the only purpose of our amendment, and it is limited to that very clearly defined purpose.

Now, with regard to agricultural products, our opinion is that fishery products ought not to come within this general rule at all. We think that when it is possible to conclude a commodity agreement on fishery products, which would be possible under Chapter VII, it would not be necessary to introduce these rules here as applicable to fishery products. That is our general standpoint, and the reservation we made in London is maintained here. I would also mention one point in this relation, especially in relation to the remarks made by the delegate of the United Kingdom. He mentioned that, if there is a question of limiting the catch of say, fresh herrings, by British fishing boats in the North Sea because many boats come in and, so to speak, dump the catches on the market, he says that it would be necessary, for example, to limit the amount of fresh herrings and fresh fish from the Norwegian, Swedish and Icelandic boats as well. Well, I think that there is little to be said for that, but I think that can be covered by the commodity agreements, and it ought not to come under this regulation here. But then, when he said that he would not only need the right to prevent fresh herrings and fresh fish from coming to the United Kingdom from abroad, but also he would need to prevent, for example, smoked herrings or sardines from coming in, I cannot see any analogy at all as those fish products like sardines and smoked fish and, to the same extent, dried fish and so on, can be stopped. If they are sent in to one country they can be stopped there and need not be consumed immediately. They can be stopped for many years, and consequently his argument, as far as I can see, applies only to fresh fish because there you have a possibility of stocking it. You have the position there that, if they cannot be consumed, they rot. That is a point which should be considered, but I think that should be covered under commodity arrangements and not those regulations here. That is generally how we consider these Articles and the amendments which have been so far produced.

M. PIERRE FORTHOMME (Belgium) (Interpretation): The Belgian delegation were never very happy about the exception which was inserted in sub-paragraph (6) of paragraph 2 of this Article; however, we finally accepted it with great reluctance. But we want to explain that this exception limited the exact aim we have in mind. We would remind you that in New York the Belgian delegation insisted on introducing the notion of the incidence of seasonal variations in the price and rules applying to agricultural products. This is a notion widely applied in customs and tariffs and we all know there are various rates in tariffs according to the season when an agricultural product is imported. I would like, in addition, to ask a question. The Norwegian delegate has explained his amendment as being of a very limited application, and that the draft of his own amendment might be broader than the intention of the Norwegian delegation itself. I want to know what is the exact extent of the exception in the last sentence of the Norwegian amendment, - "This rule shall not apply to products used in the production of domestic agricultural products", etc. If this rule applies to the whole of sub-paragraph (e), then we have no objection to it, but if this rule only applies to the sentence reading: "moreover any restrictionsapplied under (i) above, shall not be such as will reduce the total of imports relative to the total of domestic production" and so on, then we consider the Norwegian amendment applies the principle of unlimited restriction of any production which might be used, such as the production of fertilisers, binder twine, etc.

Mr. E.McCARTHY (Australia): The Australian delegation finds itself rather questioning the nature of the amendment proposed to this Article. The Canadian delegate has said quite a lot that was in our minds but we would like to point out that it has seemed to us

from the outset that this particular Chapter or Article has been weighted in favour of importers of agricultural products. It does appear that it can have the effect of being highly protective, and the degree to which it would be protective would be at the discretion of importing countries, in fact, it is not difficult to conceive an exporter negotiating in a particular agreement a reduction of duty in an agricultural product, finding that because some form of government instrumentality was operative in that country, the value of the reduction of that duty had been offset. It is important to consider that exporting countries with their surpluses which have arisen by reason of the fact that they are natural producers of the product, have got to sell the product. otherwise they cannot buy from the countries who are probably importers of primary products and sellers of secondary products. Therefore, we feel we should say that we were never happy about this particular sub-paragraph from the outset. It was in a way broken down by certain conditions, whereby it was said that where restrictions were imposed because there were domestic restrictions, that at no stage should the imports be less than during a representative period.

A good deal of the work under this Charter, and particularly negotiation on tariffs, was designed to secure greater opportunities to sell surpluses of primary products, and to sell them under market competitive conditions. Therefore, a country having a reduction in duty, with a commodity that formerly never found a market in a country at all, might now find restrictions imposed, and would have no redress because over a representative period the imports had not been reduced.

Again, we note the suggestion that if there is a stabilising proposal in the importing country, it can at its own discretion limit imports. At what level are the prices to be stabilised? At considerably above import price? If they are, that is a high degree of protection.

The point we emphasise is that this is taken away from the negotiating field altogether, and the importers/primary products of are, if these various amendments become effective, given a degree of protection that exporters certainly do not have, and compensation is not provided by way of increased opportunity for the shipment of their primary products, - compensation for the relaxation of any import duties which they are supposed to give under the trade agreement.

We realise that something is called for. We would prefer to see the sub-paragraph eliminated; we are not saying it again because we did agree at Church House, to a compromise which was not very much in our favour and we do not wish to depart from it, but these amendments are a distinct widening of the agreement that was reached at Church House, such a big widening that it justifies us in reopening our protest and pressing for consideration of the views which I have just put forward.

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I repeat that I realise we cannot have it eliminated, but we think that in sub-committee some very close attention ought to be given to the conditions under which it is applied, and careful consideration should be given to the question as to whether the power which undoubtedly has got to be there is not widened too much. In the sub-Committee we hope that these aspects will be carefully considered.

We would summarise our views by saying the amendment put forward here taken as a whole gives too much relaxation to the importer of primary products. They draw too great a distinction between the claims of exporters and the rights of importers to impose some restriction. Too much discretion is given to importers as to the degree of protection they will give themselves under the proposal. Whilst we agree that the sub-paragraph in some form should remain, we do not wish it to provide for any greater relaxation for the importer of primary products than is now provided.

MR. O. RYDER (United States): Mr. Chairman, our delegation has studied these amendments which are included in the various proposals, They are five in number.

The first one that I would like to discuss is the one incorporated in the amendment submitted by Norway to change the language to "to regulate the quantities permitted to be marketed or produced of the like domestic product or of domestic products wholly or in part produced by the imported commodity or". Now, that addition of "domestic products wholly or in part produced by the imported commodity" has set out what has always been intended in the language of this paragraph. The intention was to include the term "in any form" and the sub-committee might well consider whether that phraseology "in any form" does act sufficiently. I do not think that there is any controversy on that question.

On the second amendment suggested by the delegation for Norway, I agree with the delegate for Belgium that in the form in which it is presented it leaves the door wide open for imports of products used in producing other agricultural products. That particular problem might be considered and taken care of by the sub-committee.

A much more difficult problem is raised by the suggestion in the amendments proposed by the delegations of the Netherlands and China to extend the exceptions to like or directly competitive domestic products. Now, I am bound to say that there is something to be said for that suggestion. Manifestly, if the United States should limit the production of Soya oil it might be necessary to restrict the import of competitive oil, like sunflower or peanut oil, which is directly competitive, as if they were like products. I agree, however, with the delegate for Norway that there is a great danger in doing that, and I think considerable

study of that problem should be made by the sub-committee which will be appointed to handle this.

The other two amendments that have been proposed are much more serious. The first of them would substitute the word "regulate" for the word "restrict", and I do not need to add to what the delegate for Canada so well said about the dangers of that substitution. To my mind, it would practically throw the door wide open to violation of the prohibition of an imposition.

The fifth amendment suggested is to allow quotas when they are domestic measures for stabilizing prices. I should hesitate long beofre expanding the exceptions in this way. Price stabilization is a very broad term which may cover a wide diversity of measures having widely different results. I fear that it would not be permitted in the case of measures taken in the name of price stabilization, and the prohibition of quotas contained in this Article will become utterly meaningless.

The exceptions which have already been agreed to in this Article, Article 26, and in Article 13, have already seriously weakened the prohibition of quotas. If, in addition, we have an exception for price stabilization, not much is left. Moreover, I do not see that any case can be made for it. If the price stabilization measures have the effect of raising domestic prices above world prices then there is no occasion for restricting them. If such measures, however, do not raise the domestic price above world prices, then the difficulty is that the measures will result in expanding domestic production at the expense of imports. In this case, it seems to the United States delegation that quantitative restrictions should not be permitted unless domestic production is also restricted, and, if that is also restricted, then the sub-paragraph 2(e) as it stands permits the imposition of quotas. Thank you.

CHAIRMAN: The Delegate of the Netherlands.

Mr. SPEEKENBRINK (Netherlands): I wish to say, Mr. Chairman, a few words just to explain our position more clearly. It is that we have proposed these Amendments because there are very grave social problems involved.

We do not object to any consultation. Indeed, we are in favour of it. I might refer to what we have said about the close relationship between Chapters V and VII here.

We are in full agreement that we should not do this thing unilaterally, without consultation and the possibility of negotiating these things, but we cannot agree at the moment to this Article as worded in London and New York, because we think it does not say enough and may also not be clear enough; and indeed, in the Sub-Committee we will discuss that further and perhaps come to some conclusions there.

The only point I still have to make is this, that from our Amendment it was not clear that we had no objections at all against the last part of paragraph 2 (e) - that we have no objections against those stipulations that say that restrictions shall not be such as will reduce the total of imports relative to production and so on.

Our Amendment simply referred to the first part of that paragraph, and the sentence from"Any Member" and so on can remain, as far as we are concerned.

CHAIRMAN: The Delegate of the United Kingdom.

Mr. SHACKLE (United Kingdom): Mr. Chairman, I do not want to say very much, but I would like to make a few brief comments on some of the points made in the course of this discussion.

In the first place we have had certain suggestions which would widen the scope of this paragraph very much, so as to make practically general protection for both agriculture and also industry by means of quotas.

Well now, in our conception of the object of this paragraph, that is not at all what it is desired to do. It is desired to deal with a particular situation of difficulty which affects agriculture and fisheries. That may be summed up in this sort of way, that in agriculture and fisheries you have to deal with the precious bounty of nature, which will sometimes give you a huge catch of fish or a huge crop, which knocks the bottom out of prices.

You also have the phenomenon peculiar to agriculture and fisheries of a multitude of small unorganised producers that cannot organise themselves. It often happens that the Government has to step in to organise them. But if it does so, it cannot allow the results of its organisation to be frustrated by uncontrolled importers. That is, as we see it, the raison d'etre of this paragraph.

Well now, certain other Delegations have suggested that this should apply, if it be adopted, to industry as well as agriculture. The answer to that, I think, is that industry is in quite a different case. It does not suffer from the capricious bounty of nature. Industrial producers are usually very well able to look after themselves. There is no need for the Government to step in and do it for them, and consequently there is no case for controlling imports of industrial products in order to counterbalance an international scheme. The case of industry is entirely different from the case of agriculture.

Well now, I would like to come to some points raised by the Norwegian Delegate. He first of all suggested that what is needed in the case of fish is not the kind of scheme we had in mind but an international commodity agreement. As to that I would say that we do not by any means rule out the idea of an international commodity agreement about fish, but this paragraph, in our conception, is designed to meet certain difficulties which are just as much applicable to the case of fish as to agricultural products.

The Norwegian Delegate seemed to think that we had it in mind to extend this control not merely to cured and smoked fish but also to things like tinned fish and sardines. That is not our idea. All that we have in view is an extension to those earlier stages of processing which result in a perishable product. You cannot keep a kipper indefinitely.

Varieties that cannot be stocked - those are the things we have in mind. If we could not control the importation of kippers any scheme for herrings would break down. We notice that the principle of the Norwegian amendment does, to some extent, seem to recognize that you have to take care of the processed product at the same time as you take care of the raw product. I would suggest that what we have in mind here is the perishable kind of processed product, not the kind which is capable of being stocked. Well now, as regards that, I hope I have made it clear that we are not asking for any amendment of this text. We are quite content with it if it is interpreted in the sense that it seems to us obviously to bear with the United States wording "in any form" and the United States Delegate has agreed that that was the intention.

I would like to mention just a few points made by the Delegate of Australia. I would like to say that we view this not as a means of protection but as a means of making watertight, and making possible the working of, necessary forms of internal control. The text at the end of the paragraph about the representative period, if it stood entirely by itself, might - as Mr. McCarthy has suggested - make for excessive rigidity; but you will notice that that was qualified by the term "special factors".

The meaning of the term "special factors" brings me to the second point of interpretation which I would like to put forward. It is this: we assume that the reference to "special factors" was not intended to allow a country that operates a regulatory scheme of this kind to adopt measures that would be prohibited under other sections of the Charter.

We take it that the term "special factors" would include real changes in relative productive efficiency as between domestic producers and foreign producers, or as between different foreign producers: in a word, real changes in the competitive situation and not, as I have said, changes artificially introduced or encouraged by Government action of a kind which other sections of the Charter would not allow. If that interpretation is right, it does seem to me to follow that we need not fear an excessive rigidity coming out of this reference to the "representative period" and the "special factors", because if the representative period is not representative, and if there are special factors which have modified the competitive situation, then those factors have got to be taken into account; and although it is for the Member concerned, in the first place, to select the representative period and to size up the special factors, that is provided for elsewhere and is subject to appeal, so I think that this point is covered.

I would like to make one more remark concerning the interpretation of "special factors": that is, that it arises not only here but in two other passages in this Draft Charter - in Article 27, paragraph 4, and also in the Article about subsidies (Article 30, paragraph 5), so if this interpretation which I have sought to give to the term "special factors" is agreed, I think it would mean that it is agreed that the interpretation has that general effect.

Mr. B.N. ADARKAR (India): Mr. Chairman, I am very sorry to inflict my views again in this discussion, but I shall try to be brief. The issues involved in the amendment suggested by us in London and New York, and those which we have supported in the course of this discusstion, are of vital importance to countries in a position such as that of India. An objection of principle has been raised to import regulations being used in connection with schemes for stabilising the price of primary products. I think it is too late in the day to argue about the desirability, or otherwise, of promoting greater stability of primary prices. I think it should be accepted that, both in the interest of primary producing countries as well as in the interest of the stability of world economy, it is necessary that the income of primary producers should be kept as free from fluctuations as possible. Now, in view of that wider objective we must consider whether, in the case of particular primary commodities we are interested in, there are any international schemes which seek to promote greater stability of primary prices. If there are no such international schemes, I think that any government which is responsible to primary producers must take local measures to secure greater stability. Such local measures for securing greater stability of prices will necessarily involve supplies as well as imports. Control of prices is unthinkable without control of import regulations, and for that reason import regulations in connection with price regulations is justified. It has been suggested that such measures might be used to maintain world prices.

Now, it is true that such measures could, in certain circumstances be employed for that purpose, but as is widely known, the main object of most such schemes is to promote greater stability, that is to say, to eliminate fluctuations, and if such schemes are limited to that objective they will not result in domestic prices being

maintained on a world level. It is quite true that, if prices are maintained on a world level, import regulations may be used for protective purposes. I can understand if that is an arguemnt against the deletion of the provision contained in this paragraph, against maintaining a fixed rate in domestic products and imports, but if that provision is retained I do not understand how the maintenance of stable prices could be of a useful purpose. One cannot argue against the deletion of production and import, and at the same time argue that that may be used for particular purposes. If a suitable ratio is maintained between domestic production and imports, then naturally stabilisation schemes, ipso facto, have not had the productive effect. Therefore, one can oppose the deletion of the provisions which require fixed ratios being maintained between production and imports. But having secured the retention of that provision, one cannot use this argument against schemes which aim only at stabilising domestic prices. So far as the provision dealing with the maintenance of fixed ratio between production and imports is concerned, I would say that the Indian delegation would be quite prepared to accept the same procedure for protective import quotas and for agricultural products as for manufactured products. We have proposed an amendment providing import quotas for manufactured products. We would be quite content to follow the same procedure for agricultural products as for manufactured products.

Dr. A.P. van der POST (South Africa): Mr. Chairman, as a representative of an agricultural country, I would join issue with my friends of Chile and Canada in their conclusions that, if we extend certain privileges to any country proposed, those privileges must necessarily be extended ultimately to industry, and I would support Mr. Shackle in his remarks on this point. I believe that

we do not want to open the door too wide, and we have got to make exceptions - that is, while we can confine our exceptions in this particular case to agriculture, there is a very big difference as emphasised by Mr. Shackel and the Indian representative, between agriculture and industry. By its very nature, industry is dependent on natural forces. Industry can rationalise, but we cannot do that to the same extent in agriculture. Agriculture still depends on natural forces. It may be that, if we attempt to rationalise in agriculture in the same manner as we rationalise in industry, a whim of nature may upset our whole rationalisation scheme. Therefore, we have got to make an exception in the case of agriculture, and I therefore protest as we cannot argue that if we extend these privileges to agriculture, and it follows naturally that they must also be extended to industry. Therefore, it seems to me that the arguemnt used by our Chilean representative and by the Canadian representative, that with these further proposed privileges for agriculture we would be upsetting the balance of the Charter and that this should be more related, ultimately does not hold much water. It ignores the very fundamental nature between agriculture and industry.

CHAIRMAN (Interpretation): We will resume our discussion next Monday.

The meeting is adjourned.

(The Meeting rose at 6.25 p.m.)