

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

VERBATIM REPORT.

TWENTY-SECOND MEETING OF COMMISSION "B" HELD
ON MONDAY, 14TH JULY, 1947, AT 2.30 P.M. IN THE
PALAIS DES NATIONS, GENEVA.

The Hon. L.D. WILGRESS (Chairman) (Canada)

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CHAIRMAN: The Meeting is now called to order.

The first item on our Agenda for to-day is a matter which I think the Members of the Commission will agree to without prior notice. The Secretary of the Sub-Committee dealing with Chapter VIII has requested me, as Chairman of Commission B, to obtain the authority of Commission B for the Sub-Committee dealing with Chapter VIII to consider Article 56, dealing with Settlement of Disputes, and which is now numbered 57 in the new Draft submitted by the Sub-Commission on Chapter VIII. This, of course, is just in order that the Sub-Committee on Chapter VIII may consider this Article along with Article 56, the main article in the Charter dealing with Settlement of Disputes.

Is there any objection to this authority being given to the Sub-Committee on Chapter VIII?

Approved.

I shall now call upon the Chairman of the Sub-Committee on Article 30 to present the Report of the Sub-Committee which is given in paper T/124.

Mr. George HAKIM (Lebanon) (Chairman of the Sub-Committee on Article 30): Mr. Chairman, the Sub-Committee completed its work after eight meetings. There was a general spirit of co-operation and conciliation, which made it possible to finish the work in such a short time. The Sub-Committee accepted the Netherlands proposal to divide Article 30 into five Articles. The original Article 30 is very long, and deals with a number of questions which could be divided up into several articles.

Aside from the matter of arrangement, the Sub-Committee agreed on all points of substance, except on one point which it left

over for the Commission to decide. This point is contained in article IV, and concerns the United States proposal to apply the provision that no Member shall acquire for his exports a greater share of world trade. This provision should apply to all subsidies, and not only to export subsidies, as originally in the New York Draft. This question would have to be decided by a Commission.

I am going to give very briefly the most important points on which agreement was reached.

The first one is with regard to export subsidies in Article II. The original sub-paragraph (a) of paragraph 1 was divided into two parts, so as to include in the second part the provision with regard to the exemption from domestic taxes or duties, and the remission of such taxes and duties. There is no change of substance in the original Draft.

Paragraph 3 contained a time limit for the elimination of existing export subsidies, and the Committee agree that two years should be sufficient, instead of the original three years, but leaves it to the Commission to decide whether to reduce this period to one year.

In Article II, a new paragraph was added, paragraph 4, which contains the substance of the United Kingdom proposal that a Member may use export subsidies against export subsidisation by a non-Member.

In Article III on Subsidies as far as they affect primary commodities, paragraph 1 deals with stabilisation schemes, and this paragraph was modified so as to provide for a determination by the Organisation that the system of stabilisation has resulted in the past in a higher export price than the domestic price, and

also that the system is so operated as not to stimulate exports unduly, or otherwise seriously prejudice the interests of other Members.

The proposal by the Australian Delegation, that this provision should permit a scheme which starts in a period of low prices, with the domestic prices lower than the export prices, was finally withdrawn, because it met with opposition by some Members of the Sub-Committee.

The next point of importance is paragraph 3 of Article III, which provides for the case where there is a burdensome surplus in a primary commodity.

The original text allowed a Member to resort to subsidies when it was determined that there was such a burdensome surplus, and that there was no inter-Governmental Agreement possible in order to deal with that burdensome surplus.

The Canadian objection was that a Member, immediately it was found there was a burdensome surplus, could resort to subsidies and it was necessary, according to the Canadian proposal, that the Organization should permit such subsidies or should determine that there is need for such subsidization, and that it does not injure the interests of other Members. That is why the original text was modified, so that the Organization would determine that the subsidization would not be so operated as to stimulate exports unduly or otherwise seriously prejudice the interests of other Members. The United States Delegate reserved his position on this modification and related it to his proposed amendment for Article IV.

Now we come to the point on which the Sub-committee could not reach agreement; that is, Article IV, which contains an undertaking regarding the stimulation of exports. The New York text provided that a Member shall not grant any subsidy on the exportation of any product which results in acquiring for that Member a share of world trade in excess of the share which that Member had during a previous representative period.

The New York text applied only to export subsidies. The United States Delegate argued that this undertaking should apply to all subsidies which stimulate exports. The United States Delegate, as is explained in the Report, was willing to accept the original New York text if the change made in Paragraph 3 of Article IV was withdrawn.

These are all the important points of substance which the Sub-committee dealt with. There remains, however, one point which the Sub-committee could not deal with, because it had finished its business. That point is contained in Document E/PC/T.127.

The Sub-committee dealing with Article 15 tells us about an objection raised by the South African Delegate on the matter of discrimination in internal transportation charges as between imported and nationally-produced commodities. The South African Delegate asked whether there was any corresponding provision with regard to stimulating exports by reduced charges on transportation. As far as it would appear to me, the case is covered in Articles I and II of the newly-arranged Article 30. Article I applies to any subsidy, including any form of income or price support, that is, to any method or system which "operates directly or indirectly to increase exports of any product. . .". So that if the sort of method or system used to increase exports by means of lower charges for transportation is resorted to, it would come under Article I.

If, on the other hand, in addition, that method or system of reduced charges on transportation of exports resulted in the export price being lower than the comparative price in the domestic market, then the provisions of Article II would apply to the case which the South African Delegate had in mind.

That is all I need to say, Mr. Chairman. If any questions arise in the course of the discussion, any Member of the Sub-committee or myself will be glad to throw light on them.

CHAIRMAN: I wish to thank Mr. Hakim for the very lucid report he has just given us on the work of the Sub-Committee. I also wish to take this opportunity of congratulating him on the very excellent report of the Sub-Committee, of which he was Chairman. Mr. Hakim has indicated very clearly the task which lies before Commission B this afternoon, and we will take up, in due order, the various points which he has raised. It will be our duty to approve the new text of Article 30, which involves the rearrangement of the whole Article, and I think that the best way this can be done is to take up the rearrangement of Article 30, article by article, and deal with the various points to which the Chairman of the Sub-Committee has called attention, as we come to them in the relevant Articles. Then, after we have finally approved Article 30, we can direct our attention to the note given in document T227, respecting the point raised by the South African Delegate in the Sub-Committee on Article 15.

Before, however, proceeding to take up the new text of Article 30, article by article, paragraph by paragraph, I would like to know if any Member of the Commission would like to make any general comments on the report of the Sub-Committee, or whether there are any questions which they would like to direct to the Chairman of the Sub-Committee at this time.

There being no Members who wish to make any general comments or to question the Chairman of the sub-committee, I therefore propose that we commence the consideration of the new text article by Article.

Article I. Are there any comments?

The Delegate for Cuba.

DR. G. GUTIERREZ (Cuba): Mr. Chairman, I wish to reserve the position of the Cuban Delegation in relation to Articles I and II, because we presented an amendment in relation to the subsidization for economic development, and the sub-committee understood that that matter was more within the sphere of action of the sub-committee established to deal with Article 15 and others. That sub-committee is working on that amendment and we do not know if it might have a connection with Article 30, so before knowing the final text of Article 15, I am obliged to reserve the position of the Cuban Delegation to these two Articles.

CHAIRMAN: I take it that the reservation of the Cuban Delegation is contingent upon the outcome of the text of Article 15. We are reaching a stage in our work when it is desirable that there should be as few reservations as possible, so that I trust that the Cuban Delegation will be able to inform the Preparatory Committee when it is possible for them to withdraw this reservation.

Are there any other comments with regard to Article I?

Approved.

Paragraph 1 of Article II. Are there any comments?

Approved.

Paragraph 3 of Article II. Are there any comments?

Approved.

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E/PC/T/E/PV/22.

Paragraph 3 of Article II. Are there any comments?

I would draw the attention of Members of the Commission to the Report of the sub-committee referring to the period of two years.

"The sub-committee tentatively agreed on a period of two years, leaving the latter to the Commission to decide". Does the Commission approve of the period of two years?

Approved.

Is paragraph 3 of Article II approved?

Approved.

New Paragraph 4 of Article II. Are there any comments?

Approved.

Article III, paragraph 1. Does the reservation of the Australian Delegation still hold with regard to this paragraph?

MR. E. McCARTHY (Australia): Yes, Mr. Chairman.

CHAIRMAN: The reservation of the Australian Delegation being dependant on the final outcome of the text of Article 17, if I understand correctly?

Are there any other comments on paragraph 1?

Approved, subject to the reservation of the Australian Delegation.

Article III, Paragraph 2. Are there any comments?

Approved.

Article III, Paragraph 3. Are there any comments?

MR. R.B. SCHWENGER (United States): As the Chairman of the sub-committee reported, we have made a reservation on this third paragraph. As a matter of fact, the procedure of the sub-committee was that there was an effort to reach agreement on the text of this paragraph between the Delegate from Canada, who sat as a

Member of the Commission rather than as a member of the sub-committee, and the representative of my Delegation. When it became evident that it was going to be impossible for us at the same time to reach an agreed text to the paragraph under consideration and the related paragraph which followed, the two were left without final determination, so that I am not sure that this text really has an entirely different status from that of the paragraph which follows, and I would like at an appropriate moment, Mr. Chairman, which I will leave it to you to decide, to discuss our reservation and attitude towards the two paragraphs together.

CHAIRMAN: The United States Delegate has pointed out that their reservation to paragraph 3 of Article III is connected with their proposed United States amendment to Article IV, so that it would be logical first of all to consider Article IV and then we might return to paragraph 3 of Article III.

Mr. R.B. SCHWENGER (United States): To be exact, I was suggesting that at a time we would name I should be glad to discuss the two together as one problem.

CHAIRMAN: I think, then, we will proceed to consider these two parts of the new text together, and therefore, at the same time as we consider paragraph 3 of Article III, we will consider Article IV for which there are two alternative texts: the text submitted by the sub-Committee and the United States amendment thereto.

Mr. R.B. SCHWENGER (United States): The position of my Delegation on these two Articles can best be presented, I believe, in terms of the kind of problem that they were - at least in the first instance - drafted to deal with, and if I may be permitted, I would like to discuss that question.

These paragraphs were drafted with primary commodities in mind: primary commodities of a type that are characterized at times by burdensome world surpluses. The Charter, at all of its stages, recognized that such commodities required special treatment, because they were affected by difficulties different in character from those which affect other products.

I need hardly go into a description of these difficulties; but the essential characteristic that creates the problem is the tendency for the product to continue to be produced in quantities scarcely, if at all, decreased, in spite of a depression

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of the price of the commodity.

Unlike manufactured products, these products continue to appear in quantities scarcely at all reduced, in spite of the fact that their price is not a remunerative price: they are produced by small producers under conditions of cost and supply. Under those circumstances, and because the producers represent a large number of people, our Government, as a general thing, has been forced to step in to deal with the special situation that that condition of production and supply has brought about, and this has been clearly recognized in the Charter.

The new Chapter VII begins with this paragraph:

"The Members recognize that the conditions under which some primary products are produced, exchanged and consumed, are such that international trade in these commodities may be affected by special difficulties, such as the tendency towards persistent disequilibrium between production and consumption, the accumulation of burdensome stocks and pronounced fluctuations in prices. The special difficulties may have serious adverse effects on the interests of producers and consumers as well as widespread repercussions jeopardizing the general policy of economic expansion. Members agree that such difficulties may at times necessitate special treatment of the international trade in such commodities through intergovernmental agreement".

It is with this type of situation we are dealing, and I apologize for describing it at such length to people who have worked with it for such a long time; but I believe that in the context of the Subsidies Articles there is a tendency for this point to be overlooked. The New York text deals with the way Governments shall handle the situation when, as I pointed out, they are required by their own internal dynamics to

step in, -differently according to different systems that have become characteristic of the various exporting countries and importing countries; and in the first place, provides that Governments may help by direct subsidization to producers. The Charter puts no limit on such subsidization and that point, I think, is extremely important in view of the discussion as it took place in the sub-Committee.

In the face of a burdensome surplus of a primary commodity, there is no limit in law under the Charter - if you look upon it as basic law - on the extent to which the importing countries can use subsidies to maintain their own production, even though the market may have dwindled, as long as they do not export.

As concerns exporting countries, the treatment is different according to different systems of subsidization. In the first place, a direct export subsidy is barred, except as it may be re-instituted under the provisions of the new Article III. However, if such an export subsidy occurs as an adjunct, as it were, of a stabilization scheme which holds the level of the price of the commodity in a given country sometimes below and sometimes above the world market, it is not barred. Such an export subsidy is defined under the old paragraph 3 and new Article III, paragraph 1, as not being an export subsidy under the terms of Article II which bars export subsidies.

In addition to this, if a country exports a great bulk of the commodity and is therefore able to maintain the subsidy on the exporting part and on the proportion consumed at home without a considerable increase in cost, it falls under the terms of Article I, under which, as in the case of subsidies paid on imported products, it is required merely that the matter be reported and that the country be ready to consult. It puts no legal limitation on the extent to which that subsidy on exportation may be used. In the New York text the terms of Article IV put a limit on the time during which a country which used the export subsidisation as its characteristic type of export would have to refrain from using such export subsidisation. That limit referred to the period during which it was necessary to discover if the multilateral treatment of the situation was not going to work under the terms of Chapter VII. In other words, should there appear a serious depression in the price of a major international primary commodity, say, ten years after the Charter went into effect, there would be in the first place an opportunity to deal with the matter by multilateral action under Chapter VII, and it has been throughout the hope of our Delegation that that was the way it would be dealt with. During the effort to deal with the matter under the terms of Chapter VII, the methods of subsidisation by which countries attempt to retain their fair share of the export market could be used in all cases except that of the countries which use export subsidisation. Those countries would have to wait until it had been determined that the measures provided for in Chapter VII had not succeeded or did not promise to succeed, within a reasonable time, in removing the

development of a burdensome world surplus. All of us know that that applies primarily to the kind of subsidization associated with the characteristic method of agricultural prices at work in my country, and this requirement, that we should refrain from our characteristic type of action until a fair trial had been made to reach International agreement, was a requirement to which we agreed. Along with that agreement, we undertook, under the terms of paragraph 5 of the old Article (which is the new Article IV) not to use our export subsidization after such determination of the failure of Chapter VII was made, and not to take more than our fair share of the market as measured by exports during a previous representative period.

It is now proposed that we should add to the period during which we refrain from using our export subsidization, an additional period - not clearly determined but one to be determined - at the end of the efforts to use the procedure of Chapter VII so that when we did resort to the export subsidization, this would not be so operated as to stimulate exports or seriously prejudice the international market. In other words, it is proposed that the words shall be so changed as not only to require us to undertake not to expand our exports ^{beyond} the share of the world market we had enjoyed under previous conditions, but to show whether in fact, until the period of substantial interest determined through the organisation has expired, we are going to live up to our undertaking; in other words, that we are not going to seriously prejudice the interests of other Members. Now this wait might take place at a time when there was a serious glut on the market, when other exporting countries were using their characteristic schemes

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of maintaining their exports and perhaps expanding their share of the world market. We asked in the Sub-committee whether it was contemplated that, while we took on this additional delay, the other countries were willing to undertake that they would not expand their share of international trade in the product in excess of the share which they had enjoyed during a previous representative period. They told us that they could not take on such an undertaking. This, it would seem, is the issue, and it seems to me, Mr. Chairman, that the position as it was in the New York text represents a balance, which, while somewhat against us, is one which we can accept, and that it is ^{not} reasonable to ask that there be placed an additional delay upon our commission to cease refraining from the use of export subsidies, once it was determined that multilateral agreement could not be reached. , It is our opinion that that might in fact militate against multilateral action which we certainly feel - and we think it has been widely agreed upon in the discussions - is the desirable way of dealing with the kind of situation I have pictured.

I would like to suggest, therefore, that on these two paragraphs a return to the New York text, in both cases, would maintain a balance which would not in fact, I believe, be greatly different from that which is suggested by the report. In its form and expression it would then be acceptable to us, whereas the text proposed in Article III, paragraph 3, is one which I do not feel we can accept.

CHAIRMAN: Do any Members of the Commission wish to speak?
The Delegate of Canada.

Mr. J.J.DEUTSCH (Canada): Mr. Chairman, the Delegate of the United States has linked together Paragraph 3 of Article III and a new Article IV, and he wishes those to be considered at the same time. I believe he said it was only right that if there was a limitation in Paragraph 3 on the right to grant export subsidies, countries using the method of internal subsidy, or production subsidy, should also be required to limit their subsidies in such a way as not to increase their share of the world's trade.

As far as Canada is concerned, we would be prepared to accept his amendment to Article IV, provided that amendment is made consistent, that if production subsidies are to be brought under any limitation, then all of them must be brought under limitation in the same way. In other words, not only the production subsidies of exporting countries but the production subsidies of importing countries must be brought under the same limitation; that is to say, importing countries should also be required not to increase their share of the domestic market. That is only logical. If exporters are not allowed to increase their export trade, then importers should not be allowed to increase their share of the trade. It seems to me that is the correct balance.

However, in all the discussions on the Charter, we have drawn a distinction between production subsidies, domestic subsidies - that is, subsidization of the total output - and export subsidies. We have drawn a distinction, throughout the whole period of discussion of the Charter, between those two things. We have said, time and again, that countries wishing to use subsidies for the purpose of developing their economy are free to do so, and we have said, particularly of under-developed countries that wish to develop their economies, that they should have that right to use internal subsidies as one method of increasing their development.

For that reason, whilst I personally am prepared to agree with the United States amendment, provided it is extended in a logical way to importers also, I do not think it is wise to press that amendment at this time, in view of the discussions that have already taken place and a particular discussion that has taken place with respect to the development of under-developed economies. I do not think we should draw back now on that general understanding which has existed for so long. For that reason I do not think it would be wise to press it. However, whether or not the United States amendment is adopted, it seems to me it does not basically affect the question that is raised in Paragraph 3 of Article XII. I think that is a matter, nevertheless, that can be dealt with on its own merits.

We have in this Charter, as I have said, drawn a distinction between export subsidies and general subsidies. The argument that has been used in the past, and has been maintained in the past and up till now, is that export subsidies are a particularly bad form of subsidy, in that they give rise to trade warfare of one kind or another, which is undesirable.

I think, also, the reason has been given that export subsidies would give an undue advantage to countries which are well able to subsidize exports, because they are already rich - they have a lot of means in their Budget for subsidizing, whereas poorer countries have not the same capacity - and it often happens that the countries less able to subsidize exports are countries engaged in exporting primary commodities - countries which depend very heavily on primary commodities.

Those countries are in many cases countries least able to subsidise exports, and they would therefore be in disadvantage compared to countries more able to subsidise. Furthermore, in the case of export subsidies, where it is only a relatively small part of the total production of exports, it is very easy to pay a very large export subsidy on a small proportion of exports, but it is not so easy to subsidise a total output. Therefore, that fact in itself is a check on unlimited subsidisation, whereas, in the case of export subsidies, that check may not operate because only a small part of the total production goes in exports, and therefore the subsidy on that part may not be a very serious deterrent, particularly for countries which are able to budget. Therefore, the Charter has, in the past, drawn a distinction between export subsidies and subsidies in general. That may not always be logical, I admit. There are borderline cases where the distinction is not entirely logical. In certain cases, subsidies may be just as bad as export subsidies. I do not wish to dispute that, but we have to enlarge and look at the thing as a whole. It has been felt in the past that export subsidies were the more dangerous weapons than subsidies in general. Therefore, we singled them out and we have made a rule in the Charter stating that no system shall so operate as to result in the sale of products in the export market at a price lower than that in the domestic market.

Now, it is proposed that there should be certain exceptions to that rule, and I know that, in Article III, there is a special treatment of primary commodities. There is one exception regarding stabilisation schemes, and it is so stated that, if you have a scheme which at times results in the sale of products abroad being lower than at home, and at other times higher than at home, then that shall be regarded as a stabilisation scheme, and shall not come under the ban of export subsidies. But you will note that, in this Article

on stabilisation schemes, it says that if it is "determined by the Organization the system is so operated, either because of the effective limitation or production or otherwise, as not to unduly stimulate exports or otherwise seriously prejudice the interest of other Members". In other words, there is a limited right for other Members simply to carry out stabilisation schemes in subsidies. It must be determined that the scheme is so operated as/^{not}to stimulate export unduly or prejudice the interests of other Members. It is not a complete escape, as you see.

Now, we come to paragraph 3, where another escape is suggested following certain operations under Chapter VII, and it is stated here in this Article - exactly the same idea is used - that the subsidisation will not be so operated as to stimulate export unduly or otherwise seriously prejudice the interests of other Members. The Organization shall grant such exemption, in other words, if the Organization is satisfied that there shall not be undue prejudice on the other Members, then the exemption is granted. In other words, it is exactly parallel to the conditions laid down in stabilisation schemes.

I do not see, Mr. Chairman, why there should be a difference between those two escape clauses in export subsidies. The same principle is applied to each of those escape articles, that the Organization shall determine that there will not be undue stimulation of exports or undue harm done to other countries. That seems to me a reasonable requirement. I hope it is not suggested that this escape clause shall be allowed, even if there is undue stimulation, or even if there is serious prejudice to other countries. Surely, none of us wishes to suggest that we should have rights under this Charter which allow us to do things which would seriously prejudice the interests of other Members. Surely, we are not going to this Organization with that in mind, and all we are asking is that the Organization shall determine that there

shall not be serious prejudice for other Members. That does not seem to me to be asking for very much, and it is in the spirit in which we are setting up this Organization.

Now, it has been suggested that there is a delay involved in having the Organization determine that there shall not be undue prejudice or serious injury to other countries. We have insisted in other parts of the Charter where the question of prior approval has arisen - and it has arisen in a rather important connection - it has been insisted by certain delegations that prior approval must be obtained, and when it has been objected that there is delay and so forth, and that we must trust the Organization about this prior approval, the answers have always been "Yes, we must trust the Organization that it will operate its affairs intelligently and with reasonable despatch". If we cannot assume that, we are damning the Organization before we start. We must assume that there will be good faith and reasonable efficiency in the conduct of the affairs, and that there will be a reasonable despatch in fulfilling its duties. We must assume that, not only in one part of the Charter, but in any part of the Charter. If we insist on that in one part of the Charter, it is logical to apply the same criteria in other parts of the Charter, and if we can feel that there is no unreasonable delay in one part of the Charter or another, ^{where} /there are escape clauses to the undertaking about export subsidies, even those escape clauses ought to be consistent with one another in the same section of the Charter. All paragraph 3 says on the stabilisation of the market is that in each case it is simply a question of whether or not there will be a serious prejudice to the interests of other Members or undue stimulation of exports. That seems to me entirely reasonable. Surely, we do not want to do things that would not meet these tests, and surely we are prepared to have an independent view on that, which we are insisting shall be the case elsewhere.

Now, it has been said that primary commodities raise special difficulties. We have set up an entire Chapter in our Charter dealing with the special difficulties of primary commodities. We have ruled out, in our Charter, non-primary commodities, because it affects primary commodities. We have set up a whole series of provisions for dealing with those special commodities and, in this particular section, we have set up a special Article about the treatment of primary commodities, both of them escape clauses to some extent. I think the stabilisation scheme is not really an escape clause. It carries out the general principle of the subsidy rule, but nevertheless, these two cases are, in some measure, an exception from the general rule. They both apply to commodities, so we are giving consideration to those primary commodities, but we must do that in an orderly and consistent way and in a way which would not result in the creation of undue difficulties for other Members of the Organization.

Therefore, Mr. Chairman, I would like very much to support the report of the Sub-Committee with respect to Article III. It seems to us it is logical, consistent and fair, in the whole conception of this Charter.

CHAIRMAN: The Delegate of Brazil.

MR. E.L. RODRIGUES (Brazil): Mr. Chairman, we always condemn export subsidies, and the first time we discussed in London this matter of subsidies, we also condemned product subsidies, because we felt only the rich countries could use them. At this time we already have accepted Article I which includes any form of income or price support as subsidies. We have, in Brazil, used some forms of income and price support to help the export of cotton, and if we now accept the deletion of the words included in the last four lines of paragraph 4, we will be in a very difficult position. Brazil would be, perhaps, one of the most affected countries, especially in regard to cotton.

I see no other way than to strongly support the views expressed by the Delegate for Canada which, in my opinion, have given to us a very broad conception of the damage that subsidies can do, especially to smaller and less developed countries.

I should like the United States to reconsider their position and to put this question on the same level as Chapter IV in regard to prior approval.

CHAIRMAN: The Delegate of India.

Mr. B.N. ADAKAR (India): Mr. Chairman, after listening to the discussion which has taken place, I feel that it would, on balance, be better, in view of the spirit existing throughout the whole of the provisions on subsidies, if we could adopt the United States amendment, as given in the second column on Page 8.

My reasons are briefly as follows. The United States amendment proceeds on the assumption that export subsidies, that is, subsidies which result in unduly stimulating exports, can cause the same damage as subsidies given on exports only, and I believe that assumption is valid.

If we accept the United States amendment, we reach a position which is perfectly logical: we ban subsidies which are related to exports only - that is quite reasonable. We allow a more liberal and elastic position for production subsidies and subsidies which affect exports as well as production.

I think the Delegate of Canada is not right in suggesting that if the United States amendment were adopted, the distinction between production subsidies and export subsidies would disappear. There would still remain a distinction. Subsidies which are related to exports only will be completely banned, subject to the time limit which has been given in the Charter; but subsidies which are related to production, but which result in stimulating exports would be subject to more elastic provisions. They would be subject to the procedure given in paragraph 1. However, where such subsidies enable the country to capture a larger share of the world market than the share it enjoyed in the previous representative period, they are, in effect, as harmful as subsidies which are given on the basis of exports only, because the result is exactly the same. I would, therefore, for this

reason, favour the United States amendment. But if for any reason that amendment is not adopted, then I would certainly support the Delegate of Canada in his insistence that the last few words in paragraph 3 of Article III should be maintained. They must be maintained in any case.

I would not support the United States Delegate in linking up the consultation provision with their amendment under Article IV: the principle of prior consultation and prior approval should be maintained, and we should maintain the provision that in the operation of any subsidies whatever, the Member must have due regard to the interests of other Members.

I would like to deal also with the suggestion that was made by the Delegate of Canada - that if the United States amendment were adopted, it would be necessary, for the sake of consistency, to extend a similar obligation to subsidies in importing countries. He suggested that, in order to be consistent, we must impose an obligation on the importing countries to so limit their subsidization as not to reduce the proportion of their home market which is supplied by imports.

I do not agree with him on this point, because I do not think consistency requires a similar obligation to be laid on importers, because the effects are entirely different. When a subsidy operates only to increase domestic production, it does affect the competitive position of domestic producers and foreign suppliers, but the effects are confined only to the market where the subsidy operates. An export subsidy, on the other hand, upsets the competitive position in the whole of the outside world. The two cases are so entirely different:

in one case the disturbance takes place only in a small part of the world, in the other case the disturbance transcends national boundaries and upsets the conditions operating in the world market.

In these circumstances, I believe an international organization ought to take more serious notice of the measure which affects the competitive position in the whole of the world than the measure whose effects are limited to the national market. The producers in every country have a prior claim on their domestic market. They have no such prior claim on the world market.

Quite apart from the effects on the whole world trade, I think we should place more serious limitation on a subsidy which enables a country to capture a larger share of the world market than on one which enables it only to reserve a larger share of the domestic market for its indigènes.

For these reasons I would support the United States Amendment but would not recommend its extension to importing countries. If it is not adopted, I will support the Canadian Delegate in asking for the retention of the last few words in paragraph 3, of Article III.

MR. G.D.L. WHITE (New Zealand): Almost everything I had in mind to say on this subject has already been said, but very much more ably by the Delegate of Canada, and I would associate myself with the views he has expressed. I would like, however, to outline the New Zealand position very briefly.

First of all, as regards Article IV, we find ourselves unable to accept the United States amendment, for the reason that we think it would entirely upset the balance of paragraph 1 of Article I of the revised text. We think that if this obligation concerning general production subsidies was to be extended to exporters it would also have to be extended to general production subsidies of importing countries. I am sorry that I cannot agree with the Delegate for India on that point, for I think it would create an unbalanced position as compared with paragraph 1 if we were to put an obligation on exporters and not on importers. If you extend this obligation regarding a Member's share in the world trade to importers, it seems to me that there will be repercussions in the Chapter on Industrial Development, where under-developed countries have been told that they may not do certain things but they may use

subsidies, subject only to the procedure of Article I of the section on subsidies. From our point of view it seems that we cannot accept the United States amendment on Article IV, and that it is a matter of looking back to Article III where the United States - if I understand the position correctly - have suggested that the present text of Article IV might be acceptable if/condition^{the} at the end of Article III were removed. This condition says that the subsidies will not be so operated as to stimulate exports unduly or otherwise seriously prejudice the interests of other Members. On that point I think we had considerable discussion in the Subcommittee as to whether the reimposition of an export subsidy in these circumstances should be subject to prior approval or not and we arrived at some sort of a compromise text, submitted by the Subcommittee, but/^{on}which the United States Delegation reserved their position.

It seems to me that if that/^{added}condition to paragraph 3 of Article III were deleted, I might feel tempted to enquire why the same condition should not be deleted earlier in Article III from the section on stabilisation schemes for primary commodities.

As the Delegate of Canada has said, what is good in one case is good in another, in these circumstances; and on the general question of prior approval, I think that there is serious doubt as to whether a condition involving some measure of organisation and approval should be deleted here, and not deleted in Chapter IV.

The U. S. Delegate has raised one difficulty concerning the delay which would be involved in this procedure, and it seems to me that that time delay is not a serious one, because as I envisage it, the determination would be the same determination. It seems to me that a Member would make an application for an exemption regarding the re-imposition of export subsidies, the determination would be made that the burdensome surplus existed, and this other determination would be made at the same time.

I should imagine that in submitting an application for a re-imposition of an export subsidy, the applicant Member would submit a case explaining how the re-imposition would not act in such a way as to seriously prejudice the interests of other Members; and if it was a good case, well then, the determination could be made without very much delay. Thank you.

CHAIRMAN: The Delegate of the United States.

Mr. SCHWENGER (United States): Mr. Chairman, I would like if I may just to say a few words about some points that I apparently did not entirely make clear in my first statement, which may have given the impression of difference where I think there was little, if any; and then on some points which I would like to make clearer than I think they have been in the discussion.

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In the first place, I would like to point out that there is nothing in what we are proposing regarding any limitation on the right of an importing country to subsidise, further than the requirement to inform and consult which was in paragraph 1 of the New York Draft, and is in Article I of the Sub-Committees' Report. I thought that I had made that clear, and I gather that some Delegations had noticed it, but some other Delegations had pointed out that such a limitation on the right of importing countries would be inconsistent with what has been agreed or implied in connection with the discussion of other parts of the Charter; and I want to make it quite clear that there is nothing in anything I am proposing that would in any way limit, further than is limited by Article I as it now stands, that right.

It has also been agreed that that is the method par excellence and one of the purposes of this Charter as a whole, whereby countries can resolve their economies.

In the second place it has been suggested that the inclusion of the words in the latter part of Article III regarding the stimulation of exports unduly or otherwise seriously prejudicing the interests of other Members, would meet the case dealt with in Paragraph 3 of Article III, exactly the same as that dealt with in Paragraph 1 of Article III. It must be clear, on second thoughts, that that is not the case. Perhaps I have misunderstood the suggestion, but that was the implication of the remarks. I think the general idea is that 'what is sauce for the goose is sauce for the gander.'

I suggest that we would quite welcome the elimination of those words in Paragraph 1 if it were proposed that the schemes there described were to be withheld during the negotiation of the commodity arrangement: in other words, if the Article were to be so altered as to put what is now Paragraph 2 first and then re-write what is now Paragraph 1 in the general terms. I do not think there is a serious suggestion that they are the same case. The fact that the same words happen to be used in regard to this particular aspect of the two cases is, I believe, due to my perhaps ill-considered efforts to assist in arriving at an agreement in the Sub-committee, since I think I suggested that there might be a line of approach. Since it was not only ill-considered but also abortive, I do not feel that the use of the words has in any sense put the two cases on all fours. If in the one case Paragraph 1 describes a scheme that would operate continuously, presumably any finding regarding the scheme would be made, or could be made, at any time in the course of the development of the scheme. If it were not used, it would continue to have force.

The other case is, as I have pointed out, what happens if, in ten years' time, you have a serious decline in the market for, or a serious rise in the price of, a primary commodity. In connection with that point, however, there is one thing that is of interest; that is, that the language under discussion - "that the subsidization will not be so operated as to stimulate exports unduly", and so forth - is applied to schemes under Paragraph 1 - so-called stabilization schemes - whether or not the words are included. The undertaking regarding limitation of exports, under the New York text, applies to export subsidies in terms of Article IV, but it does not in any case apply to so-called domestic subsidies, which are used for the purpose of stimulating exports, and the countries which use that kind of scheme in times of low prices or contemplate such an undertaking.

I do not see that the argument as made by the Canadian Delegate should run that way also.

On the question of the force of the determination that is required in Paragraph 3 of Article III, as it appears in the Report of the Sub-committee, I would like to point out that it would take place after there had been a withholding of action during the process of the negotiation - or efforts to negotiate - of an international agreement to deal with the chaotic primary product situation. I believe that is a point that has been overlooked in some of the discussions.

We assume that this is to be started without any prior condition of any kind wherever it suits us to apply it. I think it is quite important, and it is only fair to us to recognize that that is the case.

I believe there has also been some small confusion as to just what it is that we would propose as a way of meeting this conflicting view. In this connection we have considered -

both in the Sub-committee and during the course of this discussion - the various points of view that have been put forward, and it seems to us that there is a balance in the New York text. We are not suggesting the deletion of any part of this text; we are suggesting that for the two paragraphs a balance is achieved which takes care of both our proposal as regards Article IV and the Sub-committee's text as regards Paragraph 3 of Article III.

There is a balance in the New York text and we suggest returning to it for both Articles and writing them as they originally stood, in the materials that we considered in London, as succeeding paragraphs of one Article, so that sub-paragraph 4 (b) of the New York text would be Paragraph 3 of Article III and Paragraph 5 of the New York text would be Paragraph 4 of Article III. The force of that would be to limit the entire matter to primary commodities, which I believe was the intention in drafting these things in the first instance, and any extension of Paragraph 1 would be an accident of re-arrangement rather than an intentional change - at least it has never been put forward for discussion.

There has always been a primary commodity paragraph.

Then it would be abundantly clear that Article IV, which would then be a paragraph on the same level as paragraph 3 of Article III, binds us in the use of our subsidisations never to use them in the way that has been suggested or implied in such discussions, namely, that we might use them because of our wealth, to take more than our fair share of the world's market on the objective basis of the previous representative period. We would hold ourselves open, as we have always done, but we would be obliged internationally, to do it by all undertakings - obliged to discuss with any country represented whether we were indeed being fair as regards that undertaking in the selection of the basic period or in any way in which we would be operating the subsidisation.

I believe that statement covers the point I had in mind, Mr. Chairman. Thank you for letting me explain.

CHAIRMAN: Are there any other speakers?

Mr. E. McCARTHY (Australia): Mr. Chairman, the view that we take of this is very much like the one stated by the Canadian representative. We agree to what he said, with perhaps a little more emphasis on the distinction between export subsidies and subsidies in exporting countries, and I would find myself more in conflict with the representative of India than with the representative of Canada. It has always seemed to us, in discussions that have taken place, that the whole question in relation to primary products is whether markets are glutted or whether they are not, and whether they have got enough. One of the outstanding causes in world markets on primary products, is the artificial support given to producers, whether that support comes from a narrow margin of imports by importing countries with an export subsidy, or a general subsidy in an exporting country, whatever they are, they all have the same result.

To our mind, the degree of subsidisation, whatever of those three categories it is in, is the degree to which our gluts are brought about.

However, since the earlier days of discussions, that question has been discussed, and ultimately there were put into the Charter clauses which made a distinction between general subsidies and production subsidies, and the fact that importers can have export subsidies also makes the distinction between general subsidies in an importing country and general subsidies in an exporting country.

With that fact in mind: that a greater stress was laid upon the influence of export subsidies in world markets, (they were considered to do greater damage than general subsidies, without having been written into the Charter) we have to be content. The point then was whether the old 4(b), which is now Article III, was sound or unsound. Our view was that, as it stood after the London meeting, it was not sufficiently strong. It meant that, if a country was paying subsidies, found that there was a burdensome surplus, and then got together with other countries and could not get an agreement, it could go back to subsidisation. It is to be recognised that, notwithstanding all we hope for under Chapter VII, by regulating the burdensome surplus of the few countries that are interested, particularly the ones, perhaps, that want to resume a subsidy, getting a complete agreement under Chapter VII might take a long time, and for the introduction and re-introduction of subsidies to be based upon the discussions in a proposed Monetary Agreement, to our mind was too weak and too obvious an escape for us to subscribe to. Therefore, we welcome the proposal to tighten up that clause to the way it is now in Article III.

On this matter of Article IV, it did seem that it logically followed upon the original distinction between export

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subsidies and general subsidies - a distinction which we have always disagreed with - but having regard to the major principle, we did feel that we should agree to the old Article 5 as it was. Then, when the United States representative wished to add to the export subsidies general subsidies in importing countries, we then thought that the original distinction was broken down, and if you are going to break that down, it is logical to extend it to all subsidies. I agree that the reasoning is weakened a little if you do not believe that subsidies in exporting countries are equal in their effect on the world market to subsidies in importing countries.

I think the view of Mr. Adakar that one country is the only one who is perhaps imposing general subsidies is hardly a complete answer, because usually when one country starts to stop imports by unduly stimulating its own production, it has that effect on others, and the plain fact is - take wheat as an example - between the two wars, the gluts were frequently caused not by excess of production in the exporting countries, but by excess of over-stimulated production in the importing countries. But, assuming as a premise that gluts are caused by a stimulus in importing as well as exporting countries, then I think it is only logical to extend this amendment as proposed by the United States to all subsidies - export subsidies and general subsidies in importing and exporting countries.

I feel we have got to recognise that we cannot really re-open this whole question of import subsidies and export subsidies. I would be very glad to do it if I thought there was any good in it, but I felt that, speaking for Australia, we lost the fight a long time ago on that, and I think to try to re-open it now is perhaps expecting too much. I certainly would support any genuine move

that was made to do it, but I have come to the conclusion, after some consideration, that that would not be sound, and it is resting the re-opening of it on, perhaps, too slender an amendment to this particular Article, and re-opening it on an Article which is not the central Article or central feature of the general question of subsidies.

So, therefore I have got to put it as the Australian view that we would press for the retention of article III as it stands, but we agree with the American proposal for Article IV, that is, that the clause shall apply to the export subsidies and the general subsidies in exporting countries.

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CHAIRMAN: I have no other speakers on my list, so that I should now like to obtain the sense of the Commission as to in what manner we should proceed.

The sub-Committee indicate (if you will turn to page 5 of Document T/124) that having failed to reach agreement, and in view of the fact that Article 4 was not included in its terms of reference, ^{they} decided to submit the issue to the Commission, summarising the main arguments put forward in the discussion as well as the possible alternatives proposed. They then list the possible alternatives - one, two, three and four.

It would be possible for us to put these alternatives to a vote, and in that way obtain the views of the Commission regarding these various alternatives. I take it that no Delegate would request that Alternative 4 be put to a vote, so that I would assume that the three alternatives that would come into question would be Alternatives 1, 2 and 3.

The United States Delegate has suggested a variation of Alternative 2, in that he has suggested Article IV should be made the fourth paragraph of Article III; but as that might be considered in the nature of a drafting change it could be considered, perhaps, after the principle of Alternative 2 had been decided upon.

The question I would now like to put to the Commission is whether or not it is desired that I should put to the vote Alternatives 1, 2 and 3, or, if any Delegate so desires, also Alternative 4.

Mr. S.L. HOLMES (United Kingdom): Mr. Chairman, I am not sure that the procedure you propose would be entirely satisfactory. I believe that the difficulty arises from the linking by the United States representative of paragraph 3 of Article III with

Article IV, and I had not thought it necessary to intervene before because I wanted, if possible, to avoid re-opening the general question of export subsidies versus general subsidies. But if you look at the first two questions or alternatives proposed by the sub-Committee, you will find, I think, that it would be difficult for those who did not like the proposed amendment to Article IV - that applies definitely to the United Kingdom - to refrain from voting in favour of Alternative 1, whatever their views might be on Alternative 2.

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CHAIRMAN: I am fully conscious of the difficulty just mentioned by the United Kingdom Delegate, and it has been my intention, if the committee decided to put these alternatives to the vote, to abide by our Rules of Procedure and to take first the proposal furthest away from the original proposal. In this case I think we would have to take the proposal of the Sub-committee as being the original proposal, that is alternative No.1, and if we put these other alternatives to the vote, we would first of all have to put alternative No.3, and if that were defeated, alternative No.2. If there were two adverse votes we could then interpret the result as a vote in favour of alternative No.1.

MR. R.B. SCHWENGER (United States): I have three things I would like to say and the first is on this question of voting. I think we - and particularly you, Sir, - are in a fairly difficult position because, if I am correct, these four points were not proposed in any particular order of preference. In the drafting of them in the first part of which I participated, it was agreed that that was the case. The four points were mentioned during the discussions of the Sub-Committee, and the question of order was not protested, nor was the issue ever solved in the way that it seems to be solved in the text which has been put before us. I think it is probably my fault that this is the case, but I did not insist on any particular order and it was agreed that the order was not a prejudicial one.

My second point is that I would very much like the second alternative to be in the form which I prefer - since it is my alternative and was my alternative in the Sub-committee. There would therefore be no particular point in having it in this form rather than the one I suggested and if there is no objection I should

be glad if that could be done.

At the risk of being a little out of order, I would like to say that this matter of the wording of Article III, paragraph 3, is a matter of extremely high importance for us. I may not have indicated this sufficiently in my previous remarks. There is the question of whether the text will successfully weather our elaborate governmental processes in a modified form - I mean modified from the point of drafting. It is a sufficiently doubtful point to make us as a Delegation quite concerned at the very highest levels about what is done here. I do not say that in terms of an argument or to influence anybody against his judgment, but, if there should be any hesitation in the minds of any of us about the merits of the arguments on the one side or the other, I would like it to be known that this matter of drafting is of great importance to us. If anything can be done to change this condition concerning the waiting period before we can re-subsidize, it will be helpful to us.

CHAIRMAN: The Delegate of Canada.

Mr. DEUTSCH (Canada): Mr. Chairman, I would agree with your suggestion that we should take up the alternatives set out by the Sub-Committees in the order which we suggest in No. 3. That is what we have before us. The Sub-Committees set down the alternatives, and I think we should take them up in the way the Sub-Committees set them down. We shall work on 3 and 2, and if they are carried, No. 1 stands as before. Then I assume also, if (1) remains, then III(3) remains as it is in the Sub-Committees' Report. I did not gather the Sub-Committees Report is approved as a whole, although I gather the United States Delegate has said that is a matter of great importance.

I might say that in my country, likewise, it is a matter of considerable importance; and for several reasons - partly because it affects us, partly because we think it is a right thing: It is consistent with what we have done elsewhere, and enables us to maintain a consistent attitude to other questions in the Charter, where similar questions arise; and it seems to me that it will preserve the manner in which certain things are being dealt with throughout the Charter.

CHAIRMAN: The Delegate of France.

Mr. LECUYER (France) (Interpretation): Mr. Chairman, if I have the floor, it was not to speak on the question of voting, but to ask for clarification.

I wonder whether the difficulties we are faced with do not originate to some extent from the fact that the Sub-Committee's Report does not contain the last implication of the United States proposal, namely, I understood that the U.S. Delegate proposed

that there should be no independent Article IV, and that the contents of Article IV should become paragraph 4 of Article III. In other words, that this text of what was so far Article IV should apply to primary commodities only; and I should like to hear whether I understood correctly the proposal of the United States Delegate in that way.

CHAIRMAN: With regard to the point just raised by the Delegate of France, I was going to ask the Commission if they would be agreeable to the suggestion of the United States, that instead of putting alternative 2 to the Commission in the form it is in the Sub-Committees' Report, it should be put in the form just given by the Delegate of France, and, if I interpret it correctly, the proposal of the United States Delegate is that the paragraph contained in Article IV should be made the fourth paragraph of Article III, and should apply to export subsidies only; and that the new requirement for the use of an export subsidy be deleted from paragraph 3 of Article III. Is that correct?

Mr. SCHWENGER (United States): It could be accomplished by a return to the New York text of 3, which is 4 (b).

It is a wording which did not contemplate these extra words.

CHAIRMAN: I think the Chairman of the Sub-Committee has a solution which might immediately be acceptable to the Delegate of the United States.

Mr. HAKIM (Lebanon) (Chairman of the Sub-Committee on Article 30): Mr. Chairman, I suggest that alternative 2 should read:- "That the undertaking contained in Article IV should

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apply to export subsidy on primary commodities" - substituting for the word "only" the words "on primary commodities".

That is really the suggestion of substance that is made by the U.S. Delegate.

As to the form which this provision would take, namely, attaching it to Article III, that is a matter of drafting which could easily be decided on later on; but the question of substance is that this undertaking should apply to export subsidy on primary commodities, and the alternative reads on as it is in the present text of the Report.

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CHAIRMAN: Is that acceptable to the United States Delegate?

Mr. R.B.SCHWENGER (United States): Mr. Chairman, I believe that is the essential point, if it is understood that any deletion that may be made under the second part of the alternative will be without prejudice to the drafting and that appropriate care will be taken of the opening which will thereby be left,

CHAIRMAN: We can always pick up the points of drafting after we have decided the question of principle.

The Delegate of New Zealand.

Mr. G.D.L.WHITE (New Zealand): I think the last remark covers what I was going to say. I was going to say we should vote on the second part of alternative 2. Let us refer to it as a deletion, because I think there have been some drafting amendments. It would be better to do that than to go back to the existing New York text.

CHAIRMAN: The Delegate of Belgium.

M. Pierre FORTHOMME (Belgium): If alternative 2 is formulated as suggested by the Chairman of the Sub-committee, is there any change to alternative 3?

CHAIRMAN: I do not believe so. The change in alternative 2 is to meet the proposal made by the United States Delegate, who really had intended that this alternative 2 should apply to primary products only.

Mr. R.B.SCHWENGER (United States): Mr. Chairman, may I make another remark. On this question there is a point that seems to be raised by M.Forthomme's remark. The question whether Article IV, in the proposed form, applies to export subsidies is a moot one, to my mind, that is, without question, what is intended. It is

not clear in the reference.

As a matter of evolution, it was drafted to deal with Article V and therefore perhaps legislative history would suggest that it did deal with primary products, and my suggestion for making it deal with primary products in alternative 2 was intended as a clarification.

It was originally a sub-paragraph (c) in Article III, and that Article only dealt with primary products, and there has never been any expressed intention at the meetings that I have been to that it should be right. The rearrangements were made as a matter of convenience or notion.

CHAIRMAN: Perhaps the Chairman of the Sub-Committee might enlighten us on the point.

Mr. G. HAKIM (Chairman of the Sub-Committee): Mr. Chairman, the original paragraph 5 of Article 30, as it was drafted in London, referred only to primary products, but the Drafting Committee in New York deleted the word "primary" so as to apply this provision to all products. That appears on page 27 of the Report of the Drafting Committee in New York, at the bottom of the page, footnote (b) under paragraph 5.

CHAIRMAN: Article IV corresponds to paragraph 5 of the New York text. There were no amendments to this Article proposed before the paragraph was discussed in Commission B, and therefore, there was no discussion on this Article. For the same reason, it did not receive the consideration of the Sub-Committee, except in connection with this amendment proposed by the United States Delegation. I therefore think we shall have to put to the Commission the alternative set forth in paragraph 3, in the form that it is now in the Sub-Committee's report.

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CHAIRMAN: I think we are now in a position to proceed to a vote. The only point I wish to make before we vote is to repeat the observation of the Delegate of Canada, that is, that the vote on these three alternatives is simply to establish a question of principle on a difficulty which arose in sub-committee. Regardless of how that vote turns out, we will still have to return to paragraph 3 of Article III and paragraph 4 and approve them in Commission.

Alternative (3) reads as follows: "That the undertaking contained in Article IV should apply to any form of subsidy which had the effect of increasing a Member's share of world exports (United States amendment)". Will all those in favour of this alternative (3), please raise their hands.

MR. E. McCARTHY (Australia): Mr. Chairman, could I say something at this stage?

CHAIRMAN: No, I am sorry.

Those against?

The alternative (3) is defeated by 3 votes to 8.

Now it will be in order for the Delegate of Australia to speak.

MR. E. McCARTHY (Australia): I just wanted to be sure that, if I voted for it, paragraph 3 of Article III stood.

CHAIRMAN: As I said in reply to the Canadian Delegate, we are endeavouring to determine this question of principle with regard to the difficulty which arose in sub-committee, and after we have decided that first principle, we will have to put paragraph 3, Article III, to the Commission along with paragraph 4.

Alternative (2): "That the undertaking contained in Article IV should apply to export subsidies of primary commodities, and that the new requirements for the use of an export subsidy be deleted from paragraph 3 of Article III". All those in favour please raise their hands.

Those against?

Alternative (2) is defeated.

I therefore interpret the vote on the two alternatives to mean that the undertaking contained in Article IV should apply to export subsidies only.

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Mr. R.B. SCHWENGER (United States): I would like to reserve my position.

CHAIRMAN: It is now necessary to formally put paragraph 3 of Article III to the Commission. I understand that on that Article the United States Delegate reserves his position.

Is paragraph 3 of Article III approved?

(Approved).

Is the New York text of Article IV approved?

Mr. R.B. SCHWENGER (United States): I am not quite sure that I see how the combined vote on 3 and 4 would be interpreted as giving....

CHAIRMAN: It is quite open to any Member of the Commission to ask for a vote on the Alternative 1 and if the United States wishes, we will have it. My interpretation was that as Alternatives 2 and 3 had been rejected, there was nothing else but to accept Alternative 1.

Mr. R.B. SCHWENGER (United States): I believe that the ruling is correct; but in the light of it, and in view of the tremendous importance to us of paragraph 3 of Article III, I would appreciate it if there could be a vote on the text of paragraph 3 of Article III.

Mr. J.J. DEUTSCH (Canada): Mr. Chairman, I understand that on paragraph 3 of Article III, the Report of the sub-Committee was a unanimous Report, with the exception of one. However, if you wish to take a vote, I would not oppose taking a vote.

Mr. R.B. SCHWENGER (United States): Mr. Chairman, I regret that Mr. Deutsch has made that remark, because, as I have

explained in the course of the meetings, the work of the sub-Committee had an informal character which was such that I did not, for my part - and I do not believe the other Members of the sub-Committee did for their part - insist on the exact observation of procedural forms, and the Report, in fact, was drafted informally by the sub-Committee. The question that we had before us was never put to a vote in the sub-Committee, I believe. I say it not in criticism: I believe that the sub-Committee was extraordinarily well-conducted; but I do believe that we must take cognizance, in view of the differences that exist here, of that fact.

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CHAIRMAN: The United States Delegate has asked for a vote on paragraph 3 of Article III. He is quite within his rights to ask for a vote and therefore I would request that we now proceed to a vote. Will those in favour of paragraph 3, Article III, please raise their hands.

(A vote was taken by a show of hands).

CHAIRMAN: Paragraph 3, Article III, is approved by ~~9~~ votes to 1.

On Article IV I understand that the Chairman of the Sub-committee has an observation to make.

MR. GEORGE HAKIM (Lebanon): (Chairman of the Sub-Committee):

There is a correction to be made in the New York text of Article IV. The text should read: "notwithstanding the provisions of paragraphs 1, 2, and 3"; that means by the addition of "2". The mistake occurred because paragraphs 1 and 2 were originally joined in one paragraph, so the addition of paragraph 2 is necessary.

CHAIRMAN: Are there any comments on the proposed amendment by the Chairman of the Sub-committee?

(No observations)

Is the New York text of Article IV, as amended by the Sub-committee, approved?

MR. E. MCCARTHY (Australia): I understand that the United States representative is reserving his position on paragraph 3 of Article III. In these circumstances I will vote for No.1. Were his reservation not there I would vote for No.3.

THE CHAIRMAN: Does the Delegate of Australia wish to have a vote on the New York text of Article IV?

MR. E. McCARTHY (Australia): No.

CHAIRMAN: Is Article IV approved ?

MR. R.B. SCHWENGER (United States): I would like to extend our reservation to the two Articles.

CHAIRMAN: Is Article IV, subject to the reservation of the United States Delegate (who wishes to make a reservation applicable to both Article III and Article IV), approved ?

(Approved).

CHAIRMAN: Does Australia wish to add a vote on the New York text? Is Article IV approved?

Mr. SCHWENGER (United States): I would like to extend our reservation to two Articles.

CHAIRMAN: Article IV has been approved, subject to the reservation of the United States Delegate, who wishes to make the reservation applicable to both paragraph (3) of Article III, and Article IV.

Does the U.S. Delegate wish to form his reservation in specific terms, or just to say paragraph (3) of Article III, and Article IV?

Mr. SCHWENGER (United States): As the formulation of my reservation is at some length, I would like permission to submit it.

CHAIRMAN: I would ask the U.S. Delegate to submit his reservation to the Secretary.

Article V. Any comments?

Approved.

Is the whole of the re-draft of Article 30, subject to the reservations of the Cuban, Australian and U.S. Delegations, approved?

Approved.

We now have to pass to the Note by the Chairman of the Sub-Committee given in paper 127.

Does the Chairman of the Sub-Committee wish to add anything to this paper?

Mr. HAKIM (Chairman of Sub-Committee): Mr. Chairman, I would

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like to know only whether the Commission agrees with the interpretation I gave of Articles I and II of the Section on Subsidies, and which is contained in the last paragraph in Document 127.

CHAIRMAN: Is the interpretation given by the Chairman of the Sub-Committee approved by the Commission?

The Delegate of France.

CHAIRMAN: The Delegate of France.

M. LECUYER (France) (Interpretation): I wonder, Mr. Chairman, if in current doctrine it is not admitted that any reduction in the cost of transport of a product for export is considered as an indirect subsidy. At any rate, the matter has been settled in this sense in French law, namely, that a reduction in the price of transport by rail or otherwise is considered as a payment on exports. This does appear to be the conclusion of the Report of the Chairman of the Sub-committee.

CHAIRMAN: Mr. Hakim.

Mr. HAKIM: The conclusion in Document 127 is exactly the same as that which was expressed by the French Delegate, in so far as reductions on the transportation charges on exports constitute an indirect subsidy or form of price support. It is covered by Articles I and II of this section on subsidies. My interpretation, as I give it in this paper, is in full accord with the interpretation of the Delegate of France.

CHAIRMAN: Does the Delegate of France agree?

M. LECUYER (France) (Interpretation): I agree.

CHAIRMAN: Is the Commission agreed that this interpretation should go forward to the Sub-committee on Article 15?

(Agreed).

It is still necessary for Commission B to take Article 45 in Chapter VI. This Article was approved by the Sub-committee on Chapter VI, subject to a reservation regarding the last part of Article 45, in order to await the result of the establishment of a text on Chapter VII by the Sub-committee dealing with that Chapter.

The parts of Article 45 which were reserved were Paragraph 1 (b) and Paragraph 2.

Mr. S.L.HOLMES (United Kingdom): Mr. Chairman, I am not sure whether it falls to me to say anything on this; In my view, subject to a very small amendment of wording in Paragraph 2, which I will mention later, I would suggest that in the re-arrangement of Article 59 - which has now become, I think, Article 61 - there is nothing which would prevent us from simply removing the brackets.

If I may, however, refer to the small amendment to Article II, which I should like to propose, it is this: that before the words "the effect" in the last line but one, we should substitute "the harmful effects" in the plural. That would make it uniform, I believe, with the rest of the text of the Chapter and the only reason, I believe, why we did not do that was because at that time we had brackets round the paragraph and we failed to see what consequential and hypothetical amendment would be required at that time.

CHAIRMAN: The United Kingdom Delegate has proposed that Article 45 should stand as it was drafted in New York, but with the addition of the word "harmful", and the word "effect" to be in the plural, so that the last line would read "which may have the harmful effects described in paragraph 1 of Article 39". Are there any comments on the United Kingdom proposal?

Mr. R.B. SCHWENGER (United States): Mr. Chairman, as a matter of information, did we not propose to eliminate the second sub-paragraph of paragraph 1 of Article 45, accepting the report of the Sub-Committee on Chapter I?

Mr. J.A. MUNOZ (Chile): Mr. Chairman, didn't the Sub-Committee on Chapter VII suggest the deletion of sub-paragraph (b)?

CHAIRMAN: In view of the fact that it has already come out in the new Article 61, they decided, I think, to delete sub-paragraph (b) of Article 45.

Well, in view of the doubts that have been raised about Article 45, I think we should not proceed with it this evening, but should hold it up for another Meeting.

J.

MR. S.L. HOMES (United Kingdom): Mr. Chairman, is it in order for a Committee on another Chapter to decide anything in relation to Chapter VI? It could propose.

MR. J.L. MUNOZ (Chile): Yes, it could suggest it.

CHAIRMAN: I think it is quite in order for the sub-committee on Chapter VII to suggest to the Commission that this could be deleted. It is a matter for the Commission to decide, but it is clear that the Delegations have not had time to consider the suggestion of the sub-committee on Chapter VII - I was not aware of it myself. Therefore, I think the best course would be to hold Article 45 over until after we have considered the question of voting and the composition of the Executive Board. Is that agreed?

Approved.

Commission B will meet tomorrow at 2.30 p.m. to consider the question of voting and the composition of the Executive Board.

There being no further business, the meeting is adjourned.

The meeting rose at 6.45 p.m.