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

COMMISSION B

SUMMARY RECORD

Tenth Meeting held on Monday, 16 June 1947, at 2.45 p.m.
in the Palais des Nations, Geneva

Chairman: The Hon. L.D. WILGROSS (Canada)

ARTICLE 30 - General Undertaking Regarding Subsidies -
Elimination of Export Subsidies - Exceptions

The CHAIRMAN opened the discussion by inviting comments on the recommendation of the Sub-Committee on Chapter III for re-examination of Article 30 with reference to the situations mentioned in Article 8 (formerly Article 7) dealing with safeguards for Members subject to external deflationary pressure.

Mr. G.D.L. WHITE (New Zealand) outlined the functions exercised by the Organization under Article 30. He thought that the only way the Organization could, in the exercise of those functions, have regard to the need to help a country suffering from deflationary pressure, was to put less obstacles in the way of a country wishing to use subsidies or to increase subsidies. Since the Organization has, under the present draft, a substantial measure of discretion in determinations and consultations, no major redrafting seems required. He also pointed out that the use

of subsidies was limited only slightly by Article 30, whereas Chapter V severely circumscribed other methods of departing from liberal trade principles.

Mr. ROYER (France) thought that the provisions of Article 8 should be kept in mind when examining paragraph 4, which referred to the procedures of Chapter VII, which might be too slow in the event of a crisis.

It was agreed that the Sub-Committee should take into account the relationship between Article 30 and Article 8.

Proposed Reference in Article 15 to subsidies permitted under Article 30.

It was decided that consideration of a proposal by the United States Delegation to make an addition to Article 15 containing a reference to Article 30, should be postponed until the Sub-Committee dealing with Article 15 would have concluded its work.

PARAGRAPH I

Suggested Deletion of Paragraph:

Mr. CHANG (China) explained that in under-developed countries it may be necessary to subsidise the production of a commodity and thought that this should not be subject to notification to the Organization. He thought this paragraph served rather to maintain the status quo than to help expand world trade and he therefore proposed its deletion.

Mr. De VRIES (Netherlands) could not agree to this proposal, since the provision concerned was already much weaker than, for example, that on tariffs. Its deletion would open still wider possibilities to wealthy countries and this he could not accept.

M. DESCLEE DE MAREDSOUS (Belgium), H.L.M. Erik COLBAN (Norway), Mr. A.E. RICHARDS (Canada), Mr. S.J. de SWARDT (South Africa), Mr. F.L. FRESQUET (Cuba), Mr. G.D.L. WHITE (New Zealand) and Mr. R.J. SHACKLE (United Kingdom) also supported the retention of this paragraph.

M. LECUYER (France), expressing himself in favour of the retention of this provision, wished to draw attention to special subsidies granted for the purpose of compensating certain producers for disadvantages arising from specific conditions. These may have the effect of a subsidy and should be considered along with this Article.

M.F.L. FRESQUET (Cuba) opposed the deletion of the sub-paragraph and pointed out that domestic subsidies as well as export subsidies reduced international trade.

It was decided to refer the amendment to the Sub-Committee, which would take into account the remarks made in the Commission.

PARAGRAPH 2.

Reservations:

Upon the invitation of the CHAIRMAN to comment on the

Chinese reservation made in the Drafting Committee Report, Dr. T.T. CHANG (China) announced that he was withdrawing the reservation.

M. F. GARCIA OLLINI (Chile), referring to the reservation made in the Drafting Committee Report by the Delegate of Chile, stated that it was intended to take care of products of territories where, owing to conditions of distance and transport, domestic prices were higher than world prices.

Mr. R.J. SHACKLE (United Kingdom) held that as this happened in the normal course of trade, there was no question of subsidy by a Government and the case did not come under Article 30.

H.E.M. Erik COLEMAN (Norway) supported this view.

M. F. GARCIA OLLINI (Chile) stated that he would not insist upon the reservations if it was made quite clear in the record that the case he had mentioned was covered.

The CHAIRMAN proposed to refer this aspect to the Sub-Committee for consideration. This was agreed.

Deletion of "directly or indirectly".

The CHAIRMAN then invited comments upon the Chinese proposal to delete the words "directly or indirectly" at the beginning of paragraph 2 (a).

Dr. T.T. CHANG (China) explained that this was merely a drafting matter, the sentence being complete without these words.

Mr. G.D.L. WHITE (New Zealand) pointed out that the deletion of these words would greatly limit and weaken the provision.

Mr. SCHWENGER (United States) pointed out that a subsidy might not be considered as being granted if it evolved out of other action.

M. DESCLEE DE MAREDSOUS (Belgium) supported this view.

Dr. T.T. CHANG (China) withdrew the proposal.

United States Proposal to insert the word "sub-paragraph" in the Proviso in Paragraph 2 (a).

Mr. S. MINOVSKY (Czechoslovakia) pointed out that the first part of paragraph (a) states what is prohibited, and the second part states three different kinds of action that are permitted, namely, "exempting exported products from duties or taxes imposed in respect of like products when consumed domestically, from remitting such duties or taxes which have accrued, or from using the proceeds of such duties or taxes to make payments to domestic producers".

He thought that the point needed clarification as it was possible to suppose that all of these three actions required

the procedure of paragraph 1, that is informing the Organization and negotiating with other Members. On the other hand, it was also possible to hold that none of the actions had anything to do with paragraph 1 and he considered it natural that the third type of action should come under paragraph 1.

Mr. SCHWENGER (United States) considered that paragraph 1 covered all of the subject matter under paragraph 2 (a), though the first two cases could hardly be causes of action under paragraph 1. He agreed, however, that the third case could cause serious damage to another Member.

M. S. MINOVSKY (Czechoslovakia) could not accept the suggestion that the first two cases should require notification and consultation, and declared that the Czechoslovak Delegation would propose to the Sub-Committee to restore the London text under which only the third case was subject to the requirements of paragraph 1.

M. LECUYER (France) agreed that the present draft was ambiguous and that the difference in regard to the third case should be clearly stated and its application declared illicit.

Mr. SCHWENGER (United States) remarked that these matters would come under paragraph 1 only if they were subsidies, and suggested that the Drafting Committee should consider whether in fact they were subsidies.

Dr. E. de VRIES (Netherlands) pointed out that in Articles 14, 15 and 30 the words "duties", "taxes" and "charges" are used in different combinations and suggested that the

Drafting Committee should keep this point in mind.

Substitution of "one year" for "three years".

Mr. B.N. ADAKAR (India), commenting on the Indian proposal to reduce in sub-paragraph (b) the time limit for the elimination of export subsidies from three years to one year, stated that subsidies are particularly objectionable and ought to be removed as quickly as possible.

Mr. J.J. DEUTSCH (Canada) supported the amendment and pointed out that the present shortage of goods favoured the removal of export subsidies whilst in three years' time the position might be less favourable. The Article provides for extension in particularly difficult cases.

M. DESCLEE DE MAREDSOUS (Belgium) and Dr. T.T. CHANG (China) also supported the amendment.

Mr. E. MCCARTHY (Australia) wished to reserve his position until paragraph 3 had been considered.

Dr. E. de VRIES (Netherlands) and Mr. R.B. SCHWENGER (United States) agreed with the principle and thought it ought to be discussed after consideration of paragraphs 3 and 4. Mr. G.D.L. WHITE (New Zealand) shared the view of the Australian Delegate.

The CHAIRMAN proposed to instruct the Sub-Committee to take up the Indian suggestion after considering paragraphs 3 and 4. This was approved.

Determinations under paragraph 2 (b):

The Commission considered the possibility of amending the last sentence so that it would state that determination as to extensions of time would be made by the Organization.

Mr. Garcia OLDINI (Chile) pointed out that the word "Organization" was used sometimes without it being made clear what organ it implied.

It was pointed out that this question would come up in the discussion on Chapter VIII and the Commission decided not to make any change at this point.

Proposed Sub-Paragraph (c) :

The CHAIRMAN then invited comment on the United Kingdom proposal for the addition of a new sub-paragraph (d).

Mr. R.J. SHACKLE (United Kingdom) stated that it was intended to take care of a special case not yet covered, namely, when a Member was meeting the subsidised competition of a non-Member in a third market. The possibility of other Members being damaged by the counter-subsidy was provided for by the requirement of consultation.

Dr. E. de VRIES (Netherlands) agreed with the principle, but wished to re-inforce the obligation to consult with other Members.

Dr. T. T. CHANG (China), M. S. MINOVSKY (Czechoslovakia) and Dr. G. D. L. WHITE (New Zealand) supported the amendment, the latter on the understanding that it did not clash with other provisions dealing with relations with non-Members.

M. H. E. M. Erik COLBAN (Norway) wished to consider the possibility of prior consultation. It was suggested by Mr. SHACKLE (United Kingdom) that this point might be considered by the Sub-Committee.

Mr. S. J. de SWARDT (South Africa) wondered if the amendment went far enough and whether it ought not also to cover two-price systems operated by private organizations.

Mr. R. J. SHACKLE (United Kingdom), however, thought that an extension of the paragraph to cover action by private enterprise seemed to open too wide possibilities.

Mr. R. B. SCHWENGER (United States) saw no objection to the proposed new sub-paragraph, but suggested that the Sub-Committee ought to consider whether the obligation of consultation with the Organization should not be made stronger.

Mr. DESCLEE DE MAREDSOUS (Belgium) thought that too great freedom was left to Members applying this measure and that the Organization should play a greater rôle in this connection. The question of relations with non-Members raises the necessity for common action.

M. E. M. Erik COLBAN (Norway) warned of the danger of extending this provision to cover the problems raised by the South African Delegate. These could be examined by the Organization. He hoped that the Sub-Committee would not take it as an instruction to work out positive suggestions on these lines.

It was agreed to refer the amendment to the Sub-Committee.

SUGGESTED NEW PARAGRAPH 2 A:

M. FRESQUET (Cuba) stated that an undeveloped country could not use subsidisation without resorting to taxation. His proposal would enable a small and young nation to use a simple and direct way to foster economic development.

Mr. J.J. DEUTSCH (Canada) pointed out that the exemption of national products from taxes would have the same effect as tariff duties and he could not, therefore, agree with this proposal.

Dr.E. de VRIES (Netherlands) supported the remarks of the Canadian Delegate.

Mr. George HAKIM (Lebanon) thought that the amendment did not come under Article 30 which dealt only with export subsidies. If it was meant to be an exemption from Article 15, it should be raised there.

M. FRESQUET (Cuba) pointed out that Article 30 was a "General Undertaking regarding Subsidies". He did not think that Article 30 was confined to export subsidies and therefore the amendment was rightly raised in this connection.

The meeting rose at 6.30 p.m.
