

SECOND SESSION OF THE PREPARATORY COMMITTEE OF THE  
UNITED NATIONS CONFERENCE ON TRADE AND EMPLOYMENTCOMMISSION BSUMMARY RECORD

of the twenty-second meeting held on Monday, 14 July  
1947 at 2.30 p.m. at the Palais des Nations, Geneva.

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

Request by Sub-Committee on Chapter VIII

The CHAIRMAN reported a request from the Sub-Committee dealing with Chapter VIII for authority to consider Article 56 (57 in the new text of Chapter VII) in conjunction with Article 86, the main Article in the Charter dealing with Settlement of Disputes. It was agreed to grant this authority.

ARTICLE 30

Mr. HAKIM (Lebanon) (Chairman of the Sub-Committee on Article 30) presented the Sub-Committee's Report (E/PC/T/124). He drew attention to the proposed division of the Article into five Articles within the one Section. The Sub-Committee had reached unanimous agreement on all points except that in Article IV on which there was an amendment by the United States Delegation. He mentioned the query received from the Sub-Committee dealing with Article 15 regarding discrimination in transportation charges (E/PC/T/127).

The CHAIRMAN congratulated Mr. HAKIM on the excellent report of the Sub-Committee.

Dr. GUTIERREZ (Cuba) reserved the position of his Delegation in relation to Articles I and II of the new text, pending the decision of the Sub-Committee dealing with Article 15

on the amendment which the Cuban Delegation had originally presented on Article 30.

ARTICLE I was approved.

ARTICLE II

Paragraphs 1 and 2 were approved.

Paragraph 3 was approved, including the Sub-Committee's tentative proposal of a period of two years.

Paragraph 4 was approved.

ARTICLE III

Paragraph 1 was approved, subject to a reservation by the Australian Delegation regarding the final text of Article 17, which contains a reference to Article 30.

Paragraph 2 was approved.

Regarding paragraph 3, Mr. SCHWENGER (United States) asked that this might be discussed at the same time as Article IV. This was agreed.

ARTICLE III(3) and ARTICLE IV

Mr. SCHWENGER (United States) explained his Delegation's reservation regarding paragraph 3 of Article III and their amendment to Article IV. He pointed out that both these paragraphs had originally referred to primary commodities, in the light of the special difficulties to which the latter were subject. The new text as it stood permitted domestic subsidies and stabilisation schemes even if they had the effect of increasing exports. The characteristic type of subsidy employed by his country was now more strictly limited under paragraph 3 of Article III in cases where the provisions of Chapter VII had failed, and were barred under the conditions set out in Article IV. He proposed a return to the New York text of paragraph 3 of Article III as this would restore the balance which had been upset by the changes made.

Mr. DEUTSCH (Canada) said that he would be willing to accept the United States amendment to Article IV if paragraph 3 of Article III were also applied to subsidies by importing countries. He felt, however, that it would be unwise to press for this extension. Paragraph 3 could be treated on its own merits. The conditions of exemption contained in the New York text would tend to favour wealthy countries which could best afford to subsidise exports. He pointed out that stabilisation schemes under paragraph 1 were subject to the same condition as was now proposed for export subsidies under paragraph 3. The principle of prior approval by the Organization had been strongly supported by certain Delegations in regard to other parts of the Charter, and it had been assumed that the Organization would act with reasonable despatch in fulfilling its duties. He supported the Sub-Committee's text of paragraph 3 of Article III.

Mr. RODRIGUES (Brazil) supported the views expressed by the Canadian Delegate. His country was well aware of the damage which subsidies could do, especially to the smaller and less developed countries.

Mr. ADARKAR (India) supported the United States amendment to Article IV on the grounds that domestic subsidies might be just as harmful as export subsidies in enabling a country to capture a larger share of the world market. He was opposed, however, to the proposal to delete the new condition contained in paragraph 3 of Article III.

Mr. WHITE (New Zealand) associated himself with the remarks of the Canadian Delegate. He was opposed to the United States amendment to Article IV as it would upset the balance of the Section. He was also opposed to the deletion of the new condition contained in paragraph 3 of Article III.

Mr. SCHWENGER (United States) emphasised that his Delegation had not at any time proposed any limitation on the right of importing countries to use domestic subsidies. Paragraph 1 of Article III referred to a continuous scheme and was not comparable to paragraph 3 of the same Article. Provision for determination under paragraph 3 might involve serious delay in dealing with a chaotic primary product situation. He stressed the fact that exemption under paragraph 3 only applied when other measures had failed.

He proposed that Article IV should be included in Article III and applied only to primary commodities. This had been the original intention in the London text.

Mr. McCARTHY (Australia) thought that undue stress had always been laid on export subsidies. He emphasised the importance of domestic subsidies by importing countries in causing gluts. He did not feel, however, that it was practicable to reopen the whole question of domestic subsidies and export subsidies. He welcomed the strengthening of paragraph 3 of Article III, and, if it were accepted, he would be prepared to support the American amendment to Article IV.

The CHAIRMAN drew attention to the four alternatives stated on page 5 of the Sub-Committee's report. He took it that no Delegate would ask for No. 4 to be put to the vote, and therefore proposed that a vote should be taken on the three alternatives. This would be in the order 3, 2, 1, according to which was furthest away from the original proposal.

Mr. SCHWENGER (United States) asked that alternative No.2 should be modified in accordance with his proposal that Article IV should apply only to primary commodities. This was agreed.

The CHAIRMAN stated that the vote would be taken on the

principles involved, and the two Articles would then have to be voted on separately.

On the vote being taken:

- (1) the United States amendment to Article IV was rejected:
- (2) the proposal that Article IV should apply to export subsidies on primary commodities and that the new condition contained in paragraph 3 of Article III be deleted, was rejected:
- (3) Paragraph 3 of Article III was approved.
- (4) Article IV was approved, subject to the addition of "2" between the words "paragraph 1" and "3".

Mr. SCHWENGER (United States) said that his Delegation must reserve its position on both paragraph 3 of Article III and on Article IV. He would formulate and submit a note regarding the reservation.

ARTICLE V was approved.

The CHAIRMAN declared that the whole of Article 30 was now approved subject to reservations by the Delegations of Australia, Cuba and the United States.

Request by Sub-Committee on Article 15

Mr. HAKIM (Lebanon) (Chairman of the Sub-Committee) reported that a request had been received from the Sub-Committee dealing with Article 15 for consideration to be given to a point raised by the South African Delegate regarding discriminatory transport charges having the effect of an export subsidy (see E/PC/T/127). He asked whether the Commission agreed with him that this type of subsidisation would be subject to the provisions of Article I if it "operates directly or indirectly to increase exports of any product . . . . .", and to the provisions of Article II if it "results in the sale of such

product for export at a price lower than the comparable price charged for the like product to buyers in the domestic market.....".

The Commission agreed with Mr. HAKIM's interpretation and decided to communicate it to the Sub-Committee dealing with Article 15.

ARTICLE 45.

There was a brief discussion on Article 45.

Mr. HOLMES (United Kingdom) proposed that the square brackets should be removed subject to a minor amendment of paragraph 2.

Mr. SCHWENGER (United States) and Mr. MUNOZ (Chile) drew attention to a recommendation by the Sub-Committee on Chapter VII that sub-paragraph (b) of paragraph 1 should be deleted.

The CHAIRMAN expressed the opinion that Delegations had not had sufficient time to consider the question, and he therefore proposed that further consideration of Article 45 should be deferred until the Commission had dealt with the question of voting and the composition of the Executive Board. This was agreed.

The next meeting of Commission B would be at 2.30 p.m. on July 15.

The meeting rose at 6.45 p.m.