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

VERBATIM REPORT

SECOND MEETING OF THE TARIFF AGREEMENT COMMITTEE
HELD ON WEDNESDAY, 6 AUGUST 1947, AT 10.30 A.M.

IN THE

PALAIS DES NATIONS, GENEVA

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

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CHAIRMAN: The Meeting is called to order.

We shall resume the Debate on the Report of the Tariff Negotiations Working Party on the General Agreement on Tariffs and Trade. I think that it would be of assistance in clarifying the situation pertaining to the time-table if Members in speaking on the general principles underlying the Report of the Tariff Negotiations Working Party would give some indication as suggested yesterday by the Delegate of the United States as to whether or not they believe their Government would be prepared to sign the General Agreement on Tariffs and Trade on September 30th, presuming the Tariff negotiations be completed by September 10th.

As we were adjourning yesterday, the Delegate of Chile asked for the floor, and if he so desires I shall give him the floor first.

The Delegate of Chile.

Mr. F. Garcia OLDINI (Chile) (Interpretation): Mr. Chairman, I would like to refer to the remarks I made yesterday, to which you gave an answer before the closing of yesterday's session. You told us that Articles I and II, as well as the Article which reproduces Article 38 of the Charter, are characteristic Articles which can be found in all agreements.

You are quite right, Mr. Chairman, but the difficulty lies in the fact that we are to agree on these Articles before their final form is decided and this, I submit, is precisely the difficulty which we envisage. This plays an important part in our present discussion.

As to my other remarks concerning the difficulty of the provisional application of the Agreement, as well as my remark that we provisionally reserved the position of our Delegation, I want to observe that we would like to wait for a further suggestion concerning the possibilities of surmounting the difficulties which I pointed out and other difficulties which have not yet been discussed.

CHAIRMAN: Perhaps the point which has been raised by the Chilean Delegate, and which I think has considerable validity, can be met if, after the general discussion of the Report of the Tariff Negotiations Working Party - I hope that this general discussion will be concluded this week - we first of all take up the detailed consideration of Part III, because most of the Articles of Part III do not reproduce Articles of the Charter and we could only take up detailed consideration of Part I, and afterwards of Part II, at a later stage, by which time no doubt the Preparatory Committee will have established a definitive text of the Charter. I take it that this will meet the point raised by the Delegate of Chile, and I hope that the other Members of the Committee will be in accord with this suggestion.

The Delegate of India.

Mr. B.N. ADAKAR (INDIA): Mr. Chairman, we are trying to think how best to deal with the two or three questions which were posed yesterday by the Delegate of the United States. Like Australia and other Delegations which expressed views on the subject yesterday, we would also need some time to study the General Agreement as a whole after the main features of it are decided.

It seemed to us, on a prima facie consideration of this document which has been prepared, that if a country needs time for consultation after the negotiations have been completed, then it could, if its name is not mentioned in Article ~~XXXII~~, sign the Agreement at Geneva but take the necessary time for consideration by delaying its ratification, because it would appear from the wording of Article ~~XXXII~~ that for any country whose name is not mentioned in Paragraph 1 of that Article signature would not involve the necessary undertaking to give provisional application. It seems to us, however, that although Article ~~XXXII~~ is worded in this way, it will still, in fact, be necessary for every country signing the Agreement to give provisional application. The need for that arises from the fact that those countries which will give provisional application will probably find it necessary, before they give that application, to publish the General Agreement as a whole, along with all the Schedules of tariff concessions attached to the Agreement. If they do that, then they will be giving publicity to the tariff concessions which have been agreed to by countries which have not found it possible to give provisional application. In that case, once the tariff

concessions promised by a country are published, it will be very difficult for that country to delay bringing those tariff concessions into effect. Once the importers know that a duty on a certain article is going to be reduced, it is going to be very difficult to delay reduction of that duty without completely demoralizing the trade, because it will be in the interests of the importer to delay his imports until the reduction comes into effect.

Therefore, the fact that the provisions of this Article are going to be given simultaneous publicity on a date to be determined, actually leads us inevitably to the conclusion that that will be the date on which provisional application will have to be given, not merely by the countries mentioned here, but by all countries which have signed the Agreement. Therefore, if any country needs time for studying the Agreement as a whole, the maximum period of time that it gets for study or consultation is the time between its signature of the Agreement and the date that will be fixed for provisional application, that date being the deadline for giving provisional application. I quite understand that provisional application is subjected to the proviso that it can be withdrawn at sixty days' notice. Even so, certain countries will find it necessary to have time for study and consultation before giving application whether on a provisional or definitive basis.

Well, that being the case, a country which needs time for study and consultation cannot hope to get that time by delaying application, because application is subject to a deadline. Therefore, it will be necessary for a country in that position to have the necessary time before giving its signature, because signature in fact implies provisional application. Therefore, countries in that position will find it to their advantage, if the facts are as stated, to delay that signature and thus to obtain the necessary time.

India is in that position, and therefore, on this understanding - if this understanding is correct, that, when the Agreement will be published, the countries giving provisional application will publish all the schedules and not merely the schedules relating to countries which have agreed to give provisional application, but schedules of all countries which are attached to the Agreement, which have signed the Agreement - if that understanding is correct, then it is in the interest of a country such as India to delay its signature to some

such date as that indicated by the Delegate for Australia yesterday.

If, on the other hand, that understanding is not correct and the countries which want to give provisional application will agree to publish only those schedules which relate to other countries which have agreed to give provisional application, keeping the schedules of countries which are not expected to give provisional application in suspense, then the situation would be different. But I doubt whether that procedure is at all practicable, because, from the point of view of publicity, and from the point of view of the psychological impression which it is intended to make on other countries not represented here, perhaps publicity of that sort may not be convenient.

The answer to the question posed by the Delegate of the United States is that, like Australia, India would like to defer her signature to this Agreement until some such date as that suggested yesterday.

While I am speaking on this subject of the timetable, I would like to offer one other suggestion. There are many features in this Agreement which are particular features concerning the amendment and the withdrawal of other clauses which will create very grave uncertainty in the minds of the nations which will be assembled at the World Conference as to whether this Agreement will at all be substituted by an International Trade Organization Charter, when it comes into effect, or whether a situation may not arise in which this Agreement and the ITO Charter may remain simultaneously in operation. That will be a very inconvenient position. I do not wish to dwell on those features; perhaps they will come up for discussion in the course of this debate, and perhaps those features, however undesirable they may appear, may be accepted by the delegations here present as inevitable; but perhaps the effect - the slightly unpleasant effect - created by those features might be mitigated if the signatories to this Agreement agree beforehand that

they will not give definitive application to this Agreement until they see the result of the World Conference. I believe that this is necessary in order that the nations present at the World Conference may not feel that we are presenting them with an accomplished fact, in order also that the main intention behind this Article XXXII on Provisional Application, may be fulfilled. I have not been able to discover anything in this Agreement which indicates definitive delay until the end of the World Conference. There is, of course, recognition in the Protocol, in paragraph 2, that the signatory countries "agree that the objectives laid down in the preamble to the Agreement can best be attained if the proposed United Nations Conference on Trade and Employment adopts a Charter for the International Trade Organization." I should think that it is implied in this undertaking that the signatory countries should agree here, at this Conference, that they will not bring this Agreement definitively into force until they see the result of the World Conference, because, otherwise, the effect of paragraph 4 of Article XXIV is that 30 days after acceptances have been deposited with the Secretary General on behalf of territories which account for 84% of the total trade of signatory countries, the Agreement will come into force. There should be some understanding here on that point.

CHAIRMAN: The Delegate of New Zealand.

MR. J.P.D. JOHNSON (New Zealand): Mr. Chairman, the position of New Zealand is that an Agreement cannot be made effective even provisionally until ratified by Parliament. Although there has been constant communication with the Government in connection with negotiations, there is a difficulty at this distance, when communications must be confined almost entirely to cables, of keeping them fully informed on all points. Furthermore, full details of items of interest in a multilateral agreement which will require to be considered in weighing up the proposals will probably not be available until completion of the negotiations.

In the circumstances, my Government would, I feel sure, desire to have an opportunity to consider the complete proposals in their final form before coming to a decision regarding signature. In that respect our position is much the same as that of Australia, and a procedure along the lines of that suggested by Dr. Coombs would probably be most acceptable to New Zealand.

We are in complete accord with the suggestion that the Agreement should remain strictly confidential until published simultaneously at a prearranged date by each party to the Agreement.

The date on which New Zealand might give Provisional Application to the Agreement would be dependent on whether, at the time of publication, Parliament happened to be in session and was able to pass the necessary legislation. In that connection, the point raised by the Delegate of India - that it would be necessary to give the Agreement Provisional Application as soon as possible after publication - might give us some concern because I think that there is the aspect that if Provisional Application is delayed there will probably be some disturbance of trade, and that is a matter

which will give us some concern.

As to the question which has been raised as to whether at this stage General Provisions should be included in the Agreement, this necessarily involves the question of reservations to any Article which it might be proposed to insert in the Agreement. It would seem, therefore, rather premature perhaps at this point to attempt to determine that matter.

Thank you.

Dr. J.E. HOLLOWAY (South Africa): Mr. Chairman, our legislation requires ratification wherever duties are below the intermediate column of our tariff, and as we have agreed to numerous reductions below the intermediate column, the General Agreement would have to be ratified by our Parliament before it could be brought into force. Our Parliament generally meets in January.

As for the Agreement, when the document is ready to be signed or initialled, we propose to sign it ad referendum. Our Government has had the Agreement in bits and pieces, and, after all, Ministers are also human beings, and ought to be given at least the opportunity of seeing what they have to put their signatures to, especially as they are likely to be criticised very severely in Parliament if they put their signatures to something which an Opposition can criticise.

There is only one other point I wanted to mention: the point raised by the Delegate of India. We are not at all concerned with advance notice, though we agree there should be simultaneous notice. On the contrary, when it comes to a reduction in tariff we prefer to give advance notice so that merchants can lay off their stocks of goods on which higher duties have been paid before the new goods come in. If there is a material reduction in duty, you may even cause very severe losses to merchants by bringing in the reduction of duties immediately. I do not know whether the Delegate of India did not, perhaps, have at the back of his mind the position that develops when there is an increase in duties, when, of course, you want to prevent certain people from forestalling you and making quite unjustifiable profits at the cost of the general taxpayer.

CHAIRMAN: The Delegate of India.

Mr. B.N. ADAKAR (India): Mr. Chairman, may I add just one word of comment to the question raised by the Delegate of South Africa just now? It is quite true that when there is an increase of duty it is necessary to give effect to it immediately, in order to prevent forestalling. When there is a reduction in duty, some advance notice may be permissible in order to enable traders to work off their stocks; but the point I was going to make was not that no notice should be given, but that an unduly long period should not be allowed to elapse between publication and enforcement in the case of a reduction of duty, because if such a period is allowed, stocks may be running low, and after the stocks have been exhausted a situation of scarcity will develop - the importer will necessarily defer importation till the reduction comes into effect. Therefore, once publication is given to any tariff reduction, a definite time limit should be established as to when the tariff reduction is to be brought into effect.

CHAIRMAN: Any other speakers? The Delegate of Czechoslovakia.

Mr. STANISLOV MINOVSKY (Czechoslovakia) (Interpretation):

Our Delegation, Mr. Chairman, has already said in this Conference that it was impossible for us to sign this agreement without the approbation of our Assembly. In particular, if we consider the case of Section II and of certain Articles in Sections I and III, these Articles may lead us into terrible difficulties; and it is not clearly stated that the question here is of a provisional signature. In fact, there is in this text a certain provision which is not in agreement with our legislation. It is not possible for us to sign it even for one day, and we consider that it is impossible to put into practice this Agreement before the end of the World Conference. In particular, if we consider Article XXIX dealing with certain very particular obligations of the members, it is very difficult to accept provisionally these obligations. Article XXIX says that the contracting parties shall take all necessary steps to terminate any prior international obligations with any non-contracting party which are inconsistent with this Agreement.

I think that the fact of signing a Text including such provisions may imply very great difficulties for our country, and, of course, it may be said later on that we might come back to this particular provision and say that we signed it by mistake; but we consider it is not possible to submit a certain text to our Parliament on a certain date and come back with another text later on.

Therefore, we believe that a detailed discussion of this Agreement should be postponed until a definite Text of the Charter has been adopted.

CHAIRMAN: The Delegate of Cuba.

Mr. FRESQUET (Cuba): In our case, Mr. Chairman, the Agreement as a whole must be ratified by the Higher House, and in the case of changes in the tariff they should be approved, . in ordinary law, by the whole Government.

The Executive Branch of our Government will do their best to speed up the procedure, but, of course, we cannot commit ourselves to any fixed date to put into force the agreement.

CHAIRMAN: The Delegate of Syria.

Mr. Hassan JABBARA (Syria) (Interpretation): Mr. Chairman, the Syrian Delegation is not represented here as a Member of the Economic and Social Council but because it has a Customs Union with the Lebanon. Moreover, Syria is a Member of the United Nations and as such will be called upon to examine the Draft Charter with the other Members of the United Nations and adhere to it after the discussion and examination of the provisions of the Draft Charter.

As far as the present agreement is concerned, we meet with very much the same difficulties for its application as those which have been mentioned by the other Delegates who took the floor. We believe that these difficulties arise from the fact that at the same time as the Draft Charter was being examined it was desired to provide for a multilateral agreement which embodies the main provisions of the Charter, which is still under discussion. This has resulted in an impasse.

If we sign the Agreement we automatically subscribe to the Charter and find ourselves bound, although certain points of the Charter are not yet definitely agreed upon. In this connection, Mr. Chairman, we submit a proposal which will perhaps show a way out of the present difficulty. The customs agreement must, in our opinion, remain a customs agreement and therefore ought not to include Section II of the Report, nor ought it to include Article I of the present Report, which reproduces Article 14 of the Charter, which is still under discussion. Nor should we find ^{there} Article XXII, which reproduces Article 38 of the Charter, which has not yet been finally adopted.

If we free the Agreement from provisions which are still under discussion, and provision which will again be discussed by all the Members of the United Nations in November, then the situation will be clarified and it will be easier to find a procedure for a provisional application of the Agreement and so help world trade until the final provisions come into force. If this point of view is not accepted by the Committee, the Syrian and Lebanese Customs Union can only repeat their reservations concerning certain Articles, which were reserved by them and which are still under discussion, until the Charter is adopted.

Moreover, we are of the opinion that the provisions which are embodied in the Agreement ought to be valid only until the final adoption of the Charter and that all modifications which might be undertaken at the date of the adoption of the Charter should be automatically applicable to the Agreement which will be signed now.

CHAIRMAN: Are there any other speakers?

We have now heard from 14 Delegations on the question of the time-table to be followed regarding the signing and bringing into force of the General Agreement on Tariffs and Trade, and it is clear that we cannot arrive at any conclusion at this stage, because I have the impression that in a number of cases Delegations wish to consult their Governments on various points.

Therefore I think it would be better to leave over the further consideration of the time-table until we come to the detailed consideration of Part III of the General Agreement on Tariffs and Trade. That part includes the Articles providing for the entry into force, also the signature of the Agreement, and that would give another occasion on which to examine more closely the time-table which will be adopted. I therefore

suggest that the remainder of this general debate be now devoted to more general questions in relation to the Report of the Tariff Negotiations Working Party and that we take up the question of the time-table again when we consider the Articles which will deal with the entry into force of the Agreement.

I would like to take this opportunity of making an announcement with regard to the submission of amendments on Part III of the General Agreement. As I stated earlier, Part III contains those provisions which are independent of the Charter and we can now fix the closing date for amendments on Part III. I would propose that this closing date for amendments on Part III should be noon on Monday next, August 11. That would then enable us to take up later in the week the detailed consideration of Part III.

I shall be glad to know if this proposal meets with the approval of the Committee.

Is that proposal agreed? It is agreed. Well, we will now regard Monday, August 11th, noon, as the closing time for the submission of amendments on Part III of that Agreement. The debate will now be continued on the report of the Tariff Negotiations of the Working Party.

Dr. H.C. COOMBS (Australia): Mr. Chairman, when I spoke previously I confined my remarks exclusively to the timetable implied by the General Agreement, but there are one or two other matters to which I would wish to refer. It is not my intention to comment upon the contents of this Draft General Agreement produced by the Tariff Steering Committee, but there are certain problems raised by the contents which I wish to refer to, so that it will be clear, when we come to consider the individual parts of the Agreement, ^{as to} the point of view from which our criticism will be directed. We have indicated at various times, that we believe those two parts of those negotiations to be very closely inter-related, not merely that the Tariff

Negotiations are closely interlocked with the discussions of the Charter, but the proposal of the ITO and the various parts of the Charter are, themselves, very closely inter-dependent and that it would be, in our opinion, difficult, if not unwise, to accept obligations in relation to the reduction of tariffs and in relation to commercial policy unless we are confident that other countries are simultaneously accepting obligations of the kind embodied in the more positive parts of the Charter, and that we are reasonably confident that our position is carried out.

We would, therefore, ^{prefer} an arrangement which would enable the tariff schedules and the Charter as a whole to be dealt with and adopted simultaneously. We recognise that there are difficulties in that approach; the difficulties may, in fact, be so acute that it is impossible for them to be dealt with in that way; but we must make

quite clear the fact that we may be prepared to accept a programme which envisages the various parts of this whole being dealt with separately, but they are none the less parts of a whole, and that action taken at the outset is on the assumption that action will be taken by other people on the parts which have to be dealt with later. This is very important, when we come to consider the contents of the General Agreement. It would best meet our requirements if the General Agreement contained the whole of the Charter in its present draft form, and if it were clearly understood that, when the Draft Charter ceased to be a draft and became a final document, it as a whole replaces the general Articles of the Agreement.

Since it appears that some countries are not in a position to adopt the whole of the Charter provisionally in the General Agreement, we must look^{at} what parts of the Charter as a whole are being included and what parts are being omitted. The Steering Committee on Tariffs has suggested the device of the Protocol for dealing with those parts of the Charter which are not embodied in the General Agreement itself, and I have paid tribute before to their ingenuity. I agree that that is an honest attempt to meet our point, but I think delegates will agree that it is not entirely a satisfactory answer to our problem, and that, if we accepted it, it would be in the confident expectation that it will be replaced by complete action as early as practicable. If we accept that, however, we come back to the position that the contents of the General Agreement, so far as the general articles are concerned, should be limited to the obligations which are absolutely necessary to protect the schedules of tariff reductions which have been negotiated. Otherwise, there is no reason for including for any of the obligations in the Charter being based on^a different basis from those which at present are covered by the Protocol. To include any of those obligations in the General Agreement beyond what is absolutely necessary for the protection of the tariff schedules implies a distinction between some of the obligations in the Charter and others.

I have made this point, Mr. Chairman, because, to be perfectly frank, we are not entirely satisfied that the Articles which it is proposed to include in the General Agreement are only those which are necessary for the protection of tariff schedules themselves. We are not in a position at the moment to give details of our doubts on the various Articles - we will do that when the detailed discussion on the General Agreement is undertaken - but I would wish to refer to one Article in particular, since this Article is, to some extent, fundamental, and it is a matter to which I referred earlier in the discussion of the Draft Charter.

I would like to remind delegates, Mr. Chairman, that when Article 14 of the Draft Charter was under discussion, that is, the Most-Favoured-Nation clause, I said something to the following effect:- It is not our intention, that is, the intention of the Australian Delegation, to accept the obligations implied by any one of the Articles of the Charter unless there is substantial evidence that the other purposes of the Charter are receiving attention which gives us reason to anticipate that agreed action will be taken and will prove effective. It will, therefore, not be possible for a final judgment to be made by the Australian Government as to whether the unconditional Most-Favoured-Nation principle should replace the preferential basis on which its commercial policy has been constructed in the past until we have made substantial progress, not merely in the discussions of the Charter, but in other parts of the work being carried out in Geneva, and until other matters, which are primarily matters of domestic policy of the countries concerned, are determined.

As I pointed out there, the acceptance of the Most-Favoured-Nation principle is, for those countries which are members of a preferential system, a fundamental change in the character of their commercial policy. It is a change which in our opinion is justified only by the whole content of the Charter, and the change in commercial and domestic policies which are implied in all parts of that Charter.

We will, therefore, be unwilling to accept the obligations implied in article 14 until the whole of the Charter is adopted. It is not our opinion that it is necessary for us to accept the Most-Favoured-Nation principle for other countries to be satisfied that the tariff reductions which we have negotiated and which are embodied in the schedule will be protected against abuse by other aspects of Australian commercial policy. We are not convinced, therefore, that it is necessary for article 14, the Most-Favoured-Nation clause, to be embodied in the General Agreement on Tariffs and Trade at all. To us, it is part of the general structure of the Charter, which should be dealt with along with the other parts of the Charter which are not regarded as absolutely essential to protect the schedules of reductions.

The other point which I wish to deal with specifically, Mr. Chairman, is the provision in the Draft Agreement relating to the replacement of its general articles by the articles of the Charter when the Charter is agreed to. The provision at present is a strange one. We have understood that the purpose of these negotiations was to reach agreement about the content of the Charter, and also to bring about reductions in tariffs, and that when both parts of this job have been done the commercial policy provisions would be those of the Charter. It is proposed in here that the

General Articles of the Agreement should be replaced by the Charter only if two-thirds of the Members agree. Now, that seems to us to be a strange provision. In our opinion, the replacement of the General Articles by the Charter ought to be automatic unless there is good reason to the contrary. A more reasonable provision would be to provide that the General Articles of the Agreement would be replaced by the content of the Charter unless a substantial majority of the Members agree otherwise.

The reason that I refer to this, Mr. Chairman, is that we are somewhat concerned about certain elements in the Draft General Agreement which appear to us to imply some doubts as to whether the Charter will, in fact, become operative, and correspondingly there is a desire to construct the General Agreement not as a provisional document which will be replaced by the Charter but as something which will stand alone in the event of agreement failing to be reached on the Charter.

Now, we have no objection, obviously, to the possibility of such failure being provided for, or for a provision being included which would permit the parties to the General Agreement to confer, in the event of failure to reach an agreement about the Charter, so that they could decide then what might replace on a permanent basis the Charter, which we anticipated would form the basis for this permanent agreement.

We are distressed at the suggestion that it is necessary to establish here in the General Agreement, something which, by its structure, appears designed to continue in the form in which it is agreed upon here rather than to be quite clearly regarded as something provisional to fill in the gap between the time when it is necessary to operate the tariff reductions and the time when we have a Draft Charter which will act adequately and satisfactorily as the General tariff articles of such tariff agreements.

CHAIRMAN: The Delegate of India.

Mr. B.N. ADAKAR (India): Mr. Chairman, we have listened with great attention to the illuminating remarks made by the Delegate of Australia. So far as the provisions of this Agreement concerning amendments are concerned, the Indian Delegation had occasion in the past to draw the attention of the Tariff Steering Committee to the sort of inconvenient situation that is likely to arise if slightly more than one-third of the contracting parties decide not to replace the General Agreement by the provisions of the I.T.C. Charter, and the possible adverse effect which this might have from the point of view of making this Agreement and the Charter acceptable to the nations attending the World Conference.

However, we recognize that this situation cannot be altogether avoided, though it has to be modified somewhat. We do not, therefore, for that reason associate ourselves completely with the suggestions made by the Delegate of Australia. The Delegate of Australia suggested that one way of getting out of this difficulty would be to provide that the General Agreement should replace automatically the I.T.C. Charter unless a substantial majority of the countries decided otherwise. We would think that procedure extremely risky and dangerous. We are signing an Agreement for a definite period of three years. We should not be asked to make a leap into the dark. We should not, therefore, be expected, at the time when we sign the Agreement, to commit ourselves beforehand to accepting anything without our own consent during the period of the Agreement.

If a provision is inserted to the effect that the General Agreement will be automatically replaced by the Charter, when we

do not know what the future Charter is going to contain, we shall be accepting an undefined and vague commitment. It is highly necessary that when we sign the General Agreement we should know precisely what our obligations are, and if there is going to be any change in those obligations, each change, before it is applicable to us, should have our consent.

It is, therefore, necessary that we should maintain the provisions which at present exist in paragraph 1 of the Article on amendments (Article ~~XII~~ II), and that the question of replacing Part II of the General Agreement by the corresponding provisions of the Charter should not arise unless all the contracting parties to this Agreement have accepted the I.T.O. Charter.

That seems to us to be very necessary. If any country does not join the ITO Charter but has signed the General Agreement, then any modification in the terms of the General Agreement in order to bring it into line with the ITO Charter should be carried out only in the process of the Amendment; and as provided for in paragraph 2 of the Article on Amendments, any such Amendment should be effective only in respect of those contracting parties which accept the Amendment.

If any of the contracting parties chooses not to accept a particular Amendment, then that Amendment should not be effective with respect to that contracting party. This is very fair, because as I pointed out at the start, it is necessary for every country that signs the Agreement to know precisely what its position is going to be through this period of three years; and it is especially necessary, because there is no provision in the Agreement at all whereby a country can withdraw from the Agreement before three years. At the same time, I would like to draw the attention of the Committee to a provision which exists in paragraph 3 of this Article on Amendments. In the second sentence of this paragraph it reads, "The Committee may decide that any contracting party which fails to accept an amendment which has become effective other than an amendment to Part I of this Agreement, or to the provisions of this Article, shall cease to be a party to this Agreement for such period as the Committee may specify." That is to say, in the first place, in para. 2 we are giving the contracting party the right to decide which particular Amendment will become effective with respect to his country, and in para. 3, we take away that right by telling the country that if the Amendment it does not accept becomes effective, then the country is liable to be dismissed from this Tariff clause.

The right to 2 is taken away by 3. It is highly desirable that a country signing the Agreement should not be placed in that position. The country should know that nobody has the right to impose fresh obligations on it, so it is not likely to be dismissed. For that reason, we would suggest a definite deletion of the second sentence of para. 3 of the Article on Amendments.

One more word. Although India is a country which has in the past given and enjoyed preferences, although we have taken due care in the course of the deliberations of this Conference to safeguard the rights at present enjoyed both by India and other countries to which India gives preferences to the extent to which it was necessary to do so, we would not support any suggestion that Article 14 be left out of the General Agreement. We regard the Most-Favoured-Nation principle as essential to the success of this Conference, and if Article 14 and the principles embodied in that Article are left out of the General Agreement, the Agreement will lose much, in fact the whole, of its value.

We would therefore strongly oppose the suggestion to leave out Article 14.

CHAIRMAN: The Delegate of the Netherlands.

Dr. R.S.SPEEKENBRINK (Netherlands): Mr. Chairman, as I said on another occasion, when we discussed the Report of the Tariff Negotiations Working Party with regard to the progress of negotiations, the real difficulty with many of our negotiations is that we do not know exactly which are the underlying clauses of our negotiations. That shows quite clearly how much worth we attach to a number of Articles of the Charter which are necessary to protect the concessions we give with regard to tariffs, and I think that is the reason why we must have a certain number of these Articles in the General Agreement on Tariffs and Trade; otherwise we shall have traded away certain safeguards to our own economy without knowing that, on the other hand, we shall have the advantage of stipulations which are intended to free international trade from many of these obstacles.

We consider these particular Articles as absolutely necessary for real agreement on tariffs and trade, so that I am fully in agreement with the Delegate of India when he says that to delete Article ~~II~~, for instance, from the General Agreement on Tariffs and Trade goes too far. I consider that a very sweeping change which might unbalance the whole thing. We should therefore, in our opinion, decide which Articles really need to be included in this General Agreement, and no doubt it will be possible in this connection to come to an agreement amongst ourselves. But to delete all these Articles and have only a few provisions standing to put into effect these tariff reductions at a certain date, with no other safeguards at all, would be unacceptable to us, I think.

I will then come to another argument which has been made with regard to Amendments - Article XXVII. Here again, our position is that these Articles are a very important part of the General Agreement on Trade and Tariffs, and we must see to it that we do not adopt such a position that the World Conference will say to us: "Well now, you have drawn the thing up in such a way that the only thing for us to do is to take it, or leave it." I have always regarded paragraph 3 of Article XXVII in that light, that if we say that we can have no changes in Part II of the General Agreement we do, in effect, without the consent of all the parties, what many of the delegates have warned us against. I would, therefore, welcome a clarification of the meaning of this clause, and I do not doubt that we will come to an agreement there.

Then, there is a third point of greater importance which is our whole position with regard to the General Agreement, and here I mean the possible consequence of the Resolution of the Economic and Social Council with regard to the invitation of non-Members. I will not go into that - I welcome very much the opportunity that tomorrow we will have a discussion of the Heads of Delegations and the report of the Chairman of this Committee on this point, but the position is being studied at home, and I only would like to point out here that that amendment might create very serious difficulties for us.

CHAIRMAN: The Delegate of the United States.

MR. W. BROWN (United States): Mr. Chairman, I simply want to address myself to the first point made by the Delegate for Australia in which he questions the desirability of including in the General Agreement on Tariffs and Trade the principle of the Most-Favoured-Nation Treatment. That principle seems to us to be an absolutely fundamental principle which is essential to the agreement. We have been proceeding, I thought, on the basis that that was our principle of approach in these tariff matters. We have recognised that there have been exceptions to it in established preferential systems, but one of the objectives of this Conference has been, by the process of negotiation to reduce or eliminate the discriminations which ^{are} inherent in those systems.

It seems to us absolutely essential that in this Agreement we undertake to give each other most-favoured-nation treatment with the exceptions which are provided for in Article 14(2). We regret those exceptions, but they are there and we all accept them. But we would feel that if that principle were to be omitted from this Agreement, it would be a tremendous step backwards by the Conference, because it would amount to a declaration by the nations represented here that they did not consider the principle of the most-favoured-nation treatment to be sufficiently important to include in this Trade Agreement. I should have thought that the point made by the Delegate of Australia would be met by the provisions of paragraph 2, in which the existing preferences which have not been modified or eliminated by the negotiations here would be preserved. I wonder if he would care to clarify that point.

CHAIRMAN: The Delegate of Australia.

Dr. H. C. COOMBS (Australia): Mr. Chairman, I am glad of the opportunity to explain a little more a point I have made in relation to the preferences. I agree that paragraph 2 of the existing Article saves those preferences which come out of the negotiations; but the Delegate of the United States will realize that they are bound - not only the ones which were negotiated, but the others also. That is the difference.

The point I want to make on this matter is not an attempt either to suggest that the most-favoured-nation principle is not a very important part of the Charter, or that we would not wish to accept it as part of the Charter, but that it is not necessary to protect the tariff reductions negotiated here. We agree that it is important, but it is no more important to us

than the undertaking to maintain high levels of employment or to take action designed for that purpose. We are leaving that one to the Charter. Therefore, the importance of these Articles is not the basis for deciding whether they go into the General Agreement or not. The choice between whether they go into the General Agreement, or whether they are left until the Charter and only covered in the meantime by the Protocol, depends upon whether they are necessary to protect the tariff reductions.

Now if any Delegate, the Delegate of the United States, the Netherlands, or the Delegate for India, or any other Delegate, can show us how in the absence of the Most-Favoured-Nation Clause we can evade or reduce the value of tariff reductions we have negotiated here, we withdraw our opposition to the inclusion of Article 14 in the General Agreement.

Chairman: The Delegate of Belgium.

M. Pierre FORTHOMME (Belgium) (Interpretation): Mr. Chairman, the Belgian Delegation simply wishes to affirm that it fully associates itself with what has been said by the Delegate for the Netherlands.

We consider that the provisions of the tariff negotiations must have full effect in the framework which has been worked out for the Tariff Agreement. We agree that the provisions of the Charter might supersede the provisions of the Agreement, provided they remain in the framework of this Agreement. We do not wish to commit ourselves beforehand in this respect if we do not have the assurance that the new provisions of the Charter do not correspond to the framework of the concessions which have been worked out for the Tariff Agreement.

(M. Forthomme intimated that he wished to make a correction in the interpretation):

I would prefer to say, instead of "the framework", the general set of conditions in which the concessions will be operative. I would be willing for the provisions put into the General Agreement to be replaced by the ones in the Charter, on condition that the general set of conditions would be similar and not afford less protection than the ones we have agreed to here.

CHAIRMAN: We have now come to the time at which we should adjourn, so I suggest that we postpone the debate until our next meeting. Unfortunately, it will not be possible for this Committee to meet tomorrow. It has been decided to give right of way to the Sub-committee on Chapter IV, which is the Sub-committee most behind in its work.

The Secretariat have arranged, in consultation with the Tariff Steering Committee, that we should have the right of way on Monday next. It is therefore proposed that we meet on Monday morning and also on Monday afternoon, which I think will give us an opportunity to conclude this general discussion on the Report of the Tariff Negotiations Working Party.

The next meeting will therefore take place at 10.30 a.m. on Monday.

I should like to remind Members of the Committee once more of the deadline which we have fixed for the submission of amendments to Part III of the General Agreement. It will only be possible for us to consider amendments which have been submitted in writing when we come to the detailed consideration of Part III. Therefore all Delegations should submit amendments before noon on Monday, August 11.

There being no further business, the Meeting is adjourned.

The Meeting rose at 1 p.m.
