

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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## REVIEW OF THE GENERAL AGREEMENT

### Proposals by the Chilean Government

Ever since the first international meetings in which the General Agreement on Tariffs and Trade and the Havana Charter were prepared, the Chilean Government has always maintained that it is indispensable to introduce into the text of the Agreement provisions aimed at safeguarding more precisely and more widely the position and interests of underdeveloped countries. In conformity with this viewpoint, the Government of Chile, conforming and amplifying the statements made by its representative in the last but one meeting of the Intersessional Committee, wishes to make the following proposals:

1. Considering that the economic structure of underdeveloped countries is based, as a general rule, upon the production of and trade in some primary commodities and that it is urgent to take international measures for the purpose of promoting the production and consumption of those commodities, of avoiding any desequilibrium between their production and consumption and, therefore, of eliminating or minimizing the sharp fluctuations which occur in their prices and in their trade volume, the Government of Chile is of the opinion that the CONTRACTING PARTIES should incorporate into the Agreement Chapter VI of the Havana Charter, or at least its basic provisions with the necessary readjustments to take care of the present situation, as well as the relevant part of Article 72 of the Charter, in particular to the extent that this would make it possible to eliminate any unjustifiable or inequitable difference between the prices of primary commodities and those of manufactured articles.
2. For similar reasons, there should also be incorporated into the Agreement the text of Article 32 of the Havana Charter which contemplates acceptable solutions for the liquidation of non-commercial stocks the importance of which for the economic life of the countries concerned is essential.

In adopting such provisions and those envisaged in the previous paragraph, due account should be taken of the setting up by the Economic and Social Council of the Permanent Advisory Commission on International Commodity Trade with which, and also in conjunction with other specialized organizations, it will be necessary to establish such co-operation in order to achieve a close and fruitful co-ordination of efforts.

In view of the necessity of overcoming the uncertainty created by the instability of primary commodity markets and to ensure a full economic development of underdeveloped countries, it would also be necessary to incorporate into the Agreement the provisions of Article 15 of the Havana Charter relating to new preferential arrangements which, together with the opening of wider markets and the alleviation of difficulties inherent at the commencement of an industrialization process, would also pave the way for more complete economic arrangements such as customs unions or free trade areas which are envisaged in the Agreement.

4. As regards quantitative restrictions, the Government of Chile holds the view that the following modifications should be made:

- (a) The text of Article 21, paragraph 3(b) of the Havana Charter which envisages and justifies the maintenance of quantitative restrictions in given circumstances should be incorporated into Article XII:2(b) of the Agreement;
- (b) paragraph 3(c):ii of Article XII of the Agreement the text of which creates some confusion and difficulties to countries which suffer from foreign exchange shortages should be eliminated;
- (c) paragraph 4(b) of Article 21 of the Havana Charter, the wording of which is more precise, should be incorporated into paragraph 3(b) of Article XII. The new wording should be as follows:

"The CONTRACTING PARTIES recognize that, as a result of the domestic policy of a contracting party directed toward the achievement and maintenance of full and productive employment in large and steadily growing demand, or toward the reconstruction or development of industrial and other economic resources and the rising of standards of productivity, such a contracting party may find that demands for foreign exchange on account of imports and other current payments are absorbing the foreign exchange resources currently available to it in such a manner as to exercise pressure on its monetary reserves which would justify the institution or maintenance of restrictions under paragraph 3 of this article. Accordingly .....

5. As regards restrictions to safeguard the balance of payments and the level of the monetary reserves and as a means of facilitating the attainment and maintenance of both, it would be advisable to include in the General Agreement provisions likely to encourage international investments aimed at promoting the economic development of underdeveloped countries. To that end it would be necessary to insert into the Agreement the essential provisions of Article 12 of the Havana Charter. For the same purpose, new provisions aimed at avoiding double taxation should be included in the new text.

6. For the purpose of avoiding possible interpretations and doubts, it would be advisable to incorporate into Article VII of the Agreement, either as an integral part of the text or in the form of an interpretative note, note 2 to paragraph 3 of Article 35 of the Havana Charter which reads as follows:

"If on the date of this Charter a Member has in force a system under which ad valorem duties are levied on the basis of fixed values, the provisions of paragraph 3 of Article 35 shall not apply:

- "1. In the case of values not subject to periodical revision in regard to a particular product, as long as the value established for that product remains unchanged;
- "2. in the case of values subject to periodical revision, on condition that the revision is based on the average 'actual value' established by reference to an immediately preceding period of not more than twelve months and that such revision is made at any time at the request of the parties concerned or of Members. The revision shall apply to the importation or importations in respect of which the specific request for revision was made, and the revised value so established shall remain in force pending further revision."

7. On the other hand, the Government of Chile believes that it would be useful to incorporate into the Agreement some of the principles contained in Chapters II and III of the Havana Charter, in particular the following:

"(a) those which provide that the members shall seek to avoid measures which would have the effect of creating balance-of-payments difficulties for other countries (Articles 3 and 4); (b) those which deal with safeguards for members subject to inflationary or deflationary pressure from abroad and which stipulate that in case of deflationary pressure special consideration shall be given to the consequences for any member of a serious or abrupt decline in the effective demand of other countries (Article 6); (c) those which recognize that the industrial and general economic development of all countries, particularly of those in which resources are as yet relatively undeveloped will improve the opportunities for employment, enhance the productivity of labour, increase the demand for goods and services, contribute to economic balance, expand international trade and raise levels of real income (Article 8); (d) those which indicate that the members shall co-operate with one another, and with United Nations bodies in facilitating and promoting general economic development and higher standards of living, especially of those countries which are still relatively undeveloped and shall formulate plans for the purpose of facilitating adequate supplies of capital funds, materials, modern equipment and technology, and technical and managerial skills."

