

COMMITTEE III: COMMERCIAL POLICY

SUMMARY RECORD OF THE THIRD MEETING

Held at the Capitol, Havana, Cuba, on 2 December 1947 at 10.30 a.m.

Chairman: Mr. D. L. WILGESS (Canada)

1. ELECTION OF VICE-CHAIRMAN

The CHAIRMAN announced that Mr. Walter Muller (Chile), elected Vice-Chairman at the previous meeting, was unable to serve, and called for nominations to fill this office.

On the nomination of Mr. LLERAS (Colombia), supported by Mr. MORESCO (Argentina) and Mr. PARRA (Mexico), the CHAIRMAN declared Mr. Puig (Ecuador) unanimously elected as Vice-Chairman.

2. GENERAL DISCUSSION

The CHAIRMAN asked for an expression of general views regarding Chapter IV, suggesting that insofar as was feasible, in view of the inter-relation of the various chapters of the Charter, delegates confine their observations to this Chapter.

Mr. LLERAS (Colombia) believed it might be useful if some member of the Preparatory Committee would clarify certain points in Chapter IV, in particular the use of customs tariffs for the protection of industry and agriculture. Some objections had been made to the present text on the grounds that it did not offer reasonable protection, but it had been said that this protection was offered in Articles 13 and 14 of Chapter III. Those articles mentioned protective measures which seemed to be contrary to the principles of the Charter. The question was whether tariffs, with respect to which no contractual obligations had been assumed under Article 17, would be subject to Articles 13 and 14 or would be subject to adjustment by the member without limitations.

Mr. RYDER (United States of America) stated it was the intention that any member would be free to impose or to increase tariffs on any product not bound under Article 17. However, there did exist under Article 17 an obligation to negotiate a general reduction of tariffs. Article 13 provided relief in those instances in which it would not otherwise be available under the charter.

/Mr. LLERAS

Mr. LLERAS (Colombia), while appreciating the explanation, suggested that it would be useful to include in Article 17 some reference to the need of certain countries to maintain reasonable protection of industry through customs tariffs, particularly as a guide to the future tariff committee. The protection of industry by means of tariffs would bring about healthier economies because tariffs were a more stable measure than quantitative restrictions, were simpler from an administrative point of view and were less discriminatory.

Mr. CHAVEZ (Peru) shared the point of view expressed by the representative of Colombia, and indicated that his delegation had submitted an amendment to Article 17.

Mr. LLORENTE (Philippine Republic) while agreeing to the doctrine of the Charter for normal times, felt that until his country was in a more normal position economically, it would be difficult for it to follow such rules. He believed in full protection for infant industries including other means of protection than tariffs. An expanded multilateral trade, was the effect and not the cause of an improved domestic economy. The removal of barriers would serve to bring about an expansion of multilateral trade only if it did not conflict with national plans for development. He believed further, that any organization established to regulate international trade should not be a super-state with power to enforce economic sanctions. Such sanctions should be applied only when a country provoked a state of war and then only with the unanimous concurrence of all member States.

Mr. BLUSZTEIN (Poland) felt that the provisions of Chapter IV were the most important of the Draft Charter since they affected the entire scope of international trade and national economy. He quoted from the informal summary of the ITO Charter (E/CONF.2/INF.8, Page 9) which states in general terms that Chapter IV is concerned with the reduction or elimination of barriers to international trade, and with stimulating international trade on a multilateral basis. This was based on the idea that if the restrictions to international trade, particularly since 1930, were reduced it would effect increased employment, etc. He did not feel this was a realistic thesis. The application of quantitative restrictions and bilateral agreements was the result, not the cause, of the economic crisis. As a matter of fact, these restrictions had permitted countries to maintain their foreign trade, and since the end of this war most countries had indulged in bilateral agreements because of insufficient reserves and credits. He therefore, could not share the opinion of the delegation of France expressed in plenary session that the current lack of balance in international payments was due largely to the isolation of Eastern Europe. His country had trade agreements with all but
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three countries of Western Europe and was presently negotiating a new trade agreement with France.

With regard to the provisions on Article 22, he believed it right and proper that non-discrimination in quantitative restrictions should apply in the circumstances covered by Article 20, but it was inadmissible that it should apply in the case of balance of payments difficulties covered by Article 21.

His delegation could not agree to the statement in the informal summary of the ITO Charter (E/CONF.2/INF.8) that state trading bodies "tend to be more susceptible to political considerations in buying and selling than are private businesses." He felt that the Draft Charter represented a vote of no confidence in state enterprises, in which he could not join. His delegation hoped that both these points would be reconsidered.

Mr. PEREZ (Dominican Republic) felt that the second paragraph of Article 16 was unacceptable and that countries such as his would suffer most from preferential treatment clauses. His country could not accept this position and would ask that the preferential arrangements sanctioned by Article 16 be eliminated or revised to eliminate unfavourable effects of existing preferences. The reduction made recently in the tariffs of the Dominican Republic should be taken into account in any future negotiations for reduction of tariffs.

Mr. LAROSA (Italy) approved the brave commercial policies of the Charter in attempting to effect protection only through tariffs. Such a principle presupposed a balanced equilibrium which must await emergence from the devastations of war. One problem facing Italy was the barriers to migration of Italian labour which in turn affected the volume of remittances received.

As an exporter of "luxury" products, Italy was concerned with the application of Article 21 (3) (b) relating to "essential" products. Some special rule was needed to permit countries affected by this situation to reach a fair solution. The Italian delegation reserved the right to submit an amendment to defend its interests in this regard.

Mr. CARRA (Mexico) stated that Chapter IV was the basis of the difference of opinion between the less industrialized countries, which comprised three-fourths of the world, and the highly industrialized countries which needed a market in order to dispose of their surpluses. This conflict would not exist if Chapter IV did not apply to all alike. International trade was restrained not by high tariffs, quantitative restrictions and exchange control, but by the lack of purchasing power. The reduction of tariffs would mean the paralysis of economic development of the less

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industrialized countries and would lead to a still further lowering of purchasing power.

This was his reason for objecting to the principle of the reduction of tariffs as the basis of the Charter as well as to the ITO having the power to force members to commence tariff negotiations. On the other hand, his delegation was prepared to negotiate on a voluntary basis.

Mr. BULL (Canada) stressed the danger in further broadening existing preferential tariff systems since that would be contrary to Article 1 paragraph 4 of the Charter and would be a retreat from the gains already accomplished by the General Agreement on Tariffs and Trade. Important concessions embodied in Article 15 had already been made for undeveloped countries, and Article 42 provided for customs unions.

Canada had accepted with regret the existing exceptions to Article 20, particularly paragraph 2 (c) (i), and could not approve of any further weakening of these provisions.

Mr. ZORLU (Turkey) stated that if existing preference systems were allowed to be maintained under Article 16, similar treatment would have to be requested by those countries formerly grouped in the Ottoman Empire. Since the Treaty of Lausanne the countries of the Middle East had been faced with difficulties due to the breaking up of this economic entity which they had tried to remedy. If preferences were permitted for some, they should be for all.

Mr. FUIG (Ecuador) stated that there were two opinions apparent in the conference: those of the great industrial powers versus those of the non-industrial countries whose products were limited to agriculture and raw materials.

The elimination of tariffs or discriminatory treatment would leave small countries without protection and would reduce their sources of revenue for important public works essential to the furthering of economic development.

Mr. CHANG (China) stated that countries were in varying stages of development and that to apply the same set of rules to all produced an unequal incidence. Highly industrialized countries were in a better position to accept such a code. The Charter should state general principles and should avoid cumbersome details requiring a large bureaucracy for their administration. Perhaps it would be wise to review the Charter at the end of three or five years rather than ten since all countries were undergoing constant changes.

Mr. COREA (Ceylon) re-emphasized the importance his country attached to the provisions concerning quantitative restrictions as they related to the purpose of the ITO outlined in Article 1. The provisions of Article 20 would in effect freeze the less developed countries at their present level, precluding the attainment

attainment of the objectives of Article 1, particularly an increase in the standard of living. Subsidies and tariffs were of limited value as protective devices and in his opinion some provision for the use of quantitative restrictions for protective purposes must be made. All through the Charter escape clauses were provided to meet the needs of particular countries. If that were true, some consideration should be given to the large group of countries who sought relief from Article 20 until they could attain comparative economic status. His delegation had in mind certain amendments on that point.

The CHAIRMAN pointed out that amendments which would permit the use of quantitative restrictions for economic development were being considered by Committee II and that while he recognized the difficulties in view of the inter-relation of the provisions of the Charter, he requested members to confine their statements insofar as possible to Chapter IV.

Mr. BAHGAT (Egypt) cited paragraph 2 of Article 17 which provides for certain action should a member fail to carry out its obligations under paragraph 1. The terms of this paragraph as drafted threatened the economic existence of under-developed countries. A further problem would be created for Egypt by the loss of revenue from tariffs. Article 17 should be re-drafted so as to allow for a reasonable transition period for the economic development of smaller, less industrialized countries, before requiring such member states to negotiate tariff reductions.

Mr. JIMENEZ (El Salvador) stated that a distinction should be made between tariffs imposed to eliminate competition and those of a fiscal nature necessary for revenue purposes in small, under-developed countries.

A special situation existed in the Central American countries with respect to preferences and he believed Article 16 should include an escape clause for this group.

The CHAIRMAN announced that the general discussion would be concluded at the next meeting, after which a detailed examination of the Chapter would be begun on the basis of the provisional edition of the Annotated Agenda which would be circulated Wednesday morning. The next meeting would be held on Wednesday, 3 December, at 10.30 a.m.

The meeting rose at 12.45 p.m.
