

THIRD COMMITTEE: COMMERCIAL POLICY

SUMMARY RECORD OF TWENTY-THIRD MEETING (III b)

Held at the Capitol, Havana, Cuba
Thursday, 2 January 1948, at 4.00 p.m.

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

Mr. LA ROSA (Italy) commenting generally on Article 23, thought there was a lack of balance between this Article and Article 21. The latter, especially in paragraph 3 (c) (ii), permitted priority to be given to essential products. He recognized that countries must be free to take measures protecting their balance of payments, but countries affected by such measures should also have the right to safeguard their exports. Therefore, Article 23 should be so redrafted as to provide the necessary balance with Article 21. Since all quantitative restrictions were essentially discriminatory, there was no reason why Article 23 should not permit action against the effects of measures taken under Article 21. He requested these considerations to be taken into account.

PARAGRAPH 3

The Italian amendments (Items 66 and 69) had been submitted because Italy considered prior approval by the Organization to be incompatible with the needs of a national commercial policy. The right of the Organization to intervene was not precluded but a test which should govern its action had been added. This test was the relation between the prejudice which the restrictive measure was causing to the complaining Member, and the prejudice which its discontinuation would cause to the Member applying it.

Mr. SEIDENFADEN (Denmark) felt the operative date should not be fixed so long, ahead, but should at the proper time be determined by the Organization.

Mr. MELANDER (Norway) and Mr. SAHLIN (Sweden) supported the Danish amendment.

Mr. OLMEDO (Mexico) explaining the Mexican amendment (Item 68) suggested that before requiring the removal of restrictions not only should there be no disequilibrium but also no danger of its recurrence as a result of the restrictions being lifted.

/Mr. FARINA (Uruguay)

Mr. FARINA (Uruguay) stated that his country could not accept the Organization being given the character of a super-state. For this reason the amendment (Item 70) had been submitted.

Mr. AUGENTHALER (Czechoslovakia) supported the proposal.

Mr. BRONZ (United States) commenting on the Note attached to the Geneva Draft (Item 71) asked that it be maintained, since it concerned a matter of substance and had been the subject of prolonged discussion in Geneva.

Mr. AZER (Egypt) thought the principle of the Note should be incorporated in the Article itself.

PARAGRAPH 4

No comments.

PARAGRAPH 5

Mr. CAMPOS (Brazil) said that the Delegation of Brazil had always opposed discrimination in any form because it was convinced that it led to the erection of trade barriers and jeopardized the future of international trade. However, it had not made any reservations regarding paragraph 5 (d). As regards paragraph 5 (b), his Delegation had decided to maintain its reservation made at Geneva and would refer to the matter again in Sub-Committee.

Mr. AUGENTHALER (Czechoslovakia) considered that paragraph 5 (a) should refer to the Articles of Agreement of the International Monetary Fund as a whole, and not only to one Article, and suggested that the words "Section 3 (c) of Article VII" should be deleted.

It was decided to refer Article 23 with all amendments to the Sub-Committee.

NEW ARTICLE 23 (a)

Mr. COLOCOTRONIS (Greece), in studying the Greek proposal for a new Article covering the case of Members whose economy depended on one or two agricultural products, emphasized the extreme poverty of his country. In order to survive Greece had to import 100 per cent of its requirements of steel, iron, copper and zinc; paper and paper products; sugar, coffee, lumber, and rubber; 40 - 60 per cent of its needs in milling grains; 65 per cent of its rice needs, and large amounts of cotton and wool. Seven and a half million Greeks had to live on land exhausted by 3,000 years of cultivation. Every possible variety of seeds had been tried with various methods of cultivation and rotation of crops without success. In the past many of the people had been forced to emigrate, but that was now impossible.

After describing the effect of the two world wars on the economy of his country, Mr. Colocotronis emphasized that currants and tobacco were the only products which Greece could now export, but great difficulty
/was being

was being experienced in selling them abroad. Nine hundred thousand Greeks were dependent on the tobacco industry, while the currant industry employed five hundred thousand. It was therefore absolutely necessary for a country in such a position to have the power to impose discriminatory quantitative restrictions on imports, or to maintain those restrictions in force on the date of the signature of the Charter.

Mr. LLERAS (Colombia), although not in complete agreement with the terms of the amendment of Greece, supported it in principle. It established a balance between countries with a variety of products which were in general demand, and countries exporting only one or two products which were not considered essential. In this respect, there was inequality throughout the Charter. Under the provisions of the Article 21, products such as tobacco and coffee would suffer more than any others. Article 23 presented grave dangers by permitting discrimination. In the interval before currency became convertible, the exceptions to non-discrimination might in any given region result in a different proportion of products than was supplied previously. On return to normalcy, the products supplied originally would have lost their market. However, realities made some discrimination unavoidable. Countries which had suffered monetary inflation and devastation by war could not accept the norm imposed upon them by the present Charter, which should provide equitable treatment for all.

Mr. ATAMAN (Turkey) was in general agreement with the Greek amendment. The special situations of certain countries should be taken into account. A large proportion of the population of Turkey depended totally on the export of three products. Therefore, the wording of the Greek amendment should be changed to provide for "two or three agricultural products".

Mr. COREA (Ceylon), although not agreeing entirely with the wording of the amendment, heartily supported its basic principle. There were two sets of countries in the world, and it was impossible to draft one set of principles to apply to both.

There were countries which were even worse off than Greece. For instance, Ceylon had to support six and a half million people on an annual income half that of Greece, and her exports were limited to three products. The purposes behind the Greek amendment should be realized and embodied in the Charter.

Mr. BLUSZTEJN (Poland) sympathized with the ideas expressed by the representative of Greece. The situation depicted might however arise also in connection with such products as coal and textiles. It had been proved conclusively that certain countries had grave misgivings regarding the provisions included in Article 23, and would like to integrate into the

/Charter

Charter a clause guaranteeing their freedom of action when bargaining on the international market.

Mr. STUCKI (Switzerland) warmly supported the Greek amendment, but pointed out that the conditions mentioned applied also to countries such as Switzerland which depended not on one or two agricultural products, but on industries the products of which were not considered essential.

He had noted with misgivings that 60% of his country's export trade, which resulted from hard work rather than agricultural resources, was regarded abroad as inessential. Therefore not only countries such as Greece should be placed in a favourable bargaining position, but the scope of the Charter should be widened to embrace all countries which could not produce essential goods commanding high prices.

Mr. AUGENTHALER (Czechoslovakia) whilst expressing sympathy with the position of Greece, believed the problems of such countries were covered until 1 March 1952. If by that time international trade had not reached an era of prosperity, then the ITO would have to find a new solution, or exercise the provisions of Article 74. Making all kinds of exceptions now would lead nowhere.

Mr. MULLER (Chile) was impressed by the arguments of the representatives of Greece, Colombia and Switzerland. Fifty percent of Chile's export trade was derived from nitrate and copper, and he believed that the amendment should cover products of mining and industry as well as agriculture.

Mr. NORIEGA-MORALES (Guatemala) agreed with the spirit, if not with all the terms, of the Greek proposal: due consideration should be given to countries whose economy depended on one or two products, regardless of their nature. The statements of the representatives of Colombia and Chile in that respect should be noted by the sub-committee which would study the Greek proposal.

Mr. ADARKAR (India) said that the unavoidably general character of the Charter Rules was bound to cause difficulties to some Members. It was recognized that all special situations could not be taken into account, but there should be a general exception and perhaps the deletion of the word "non-discriminatory" in paragraph 2 of Article 13 would meet the problem.

Mr. TRABOULSI (Syria) supported the general principle of the Greek proposal.

Mr. TICHELIN (Belgium) felt that the representatives of Greece, Turkey and Ceylon, in stressing their need for limiting imports, had defended only half their interests. From the point of view of exporting countries, they should not join those trying to avoid a situation where it was necessary to put restrictions on luxury products. The delegation of Belgium would

/associate

associate itself with Greece, Turkey and Ceylon on the express condition that those countries would want open markets, and not exceptions closing markets to luxury items, as presently proposed in Article 21. Balance should be obtained between new amendments and Article 21.

It was agreed to refer the proposal to sub-committee.

ARTICLE 24

Mr. NASH (New Zealand) said that the New Zealand amendment (Item 79) proposed deletion of that part of paragraph 2 pertaining to decisions to be taken by the International Monetary Fund. The ITO should not be subordinate nor should it delegate responsibility to another body. There was no doubt that co-operation and consultation with other bodies was the duty of the Executive Board, but no outside body should have the right to determine the policy of the ITO. Moreover, there was the question of sovereignty of a state submitting to the decisions of an organization in which it was not a member. Commercial factors were often the underlying cause of balance of payments difficulties and the Fund, despite the qualification in paragraph 2, should not be the final authority in balance of payments matters as they affected the ITO. In that regard, the phrase "and other facts" in paragraph 2 should be explained. The amendment would in no way detract from the proper use of consultation between organizations: the power of decision should rest with the ITO.

The meeting rose at 5.55 p.m.
