

THIRD COMMITTEE: COMMERCIAL POLICY

SUMMARY RECORD OF TWENTY-FIFTH MEETING (IIB)

Held at the Capitol, Havana, Cuba  
Monday, 5 January 1948, at 3.00 p.m.

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

1. ARTICLE 24 - EXCHANGE ARRANGEMENTS (continuation of discussion)

Mr. DJESBARA (Syria), referring to the statement made at the previous meeting by the representative of Belgium regarding the Belgian delegation's reservation in connection with Article 24, said that although he had insisted that the imposition of the restrictions mentioned in Articles 21 - 24 might lead to a world economic crisis he had not suggested any practical solution. Restrictive measures were harmful, but how could they be avoided? To prohibit them would not solve the problem, as to forbid a country with balance of payments difficulties to impose restrictions might have serious repercussions on the economy of supplying countries and might lead to grave social disturbances and even to war. Articles 21 - 24 referred to measures taken by countries which were undergoing balance of payments difficulties and many delegations had submitted amendments to these Articles. He felt that the solution to the problem should be looked for in the prevention of deficits in balances of payments, and suggested that the plan which had been drawn up for the rehabilitation of Europe should be extended to other parts of the world in order to expedite their development and to avoid any need for them to have recourse to the measures provided for in Articles 21 - 24.

Mr. van TICHELEN (Belgium), replying to the remarks of the representative of Syria, said that his delegation felt that recourse to quantitative restrictions should not be prohibited, but a clause should be inserted in the Charter stating that such restrictions should be proportionate to the evil which they sought to remedy. It should further be stated that the use of quantitative restrictions should be open to free discussion in the ITO and his delegation would like paragraph 5 of Article 21 to be redrafted.

The CHAIRMAN said that the discussion of Article 24 was closed. He considered that the statements of the representative of Belgium had served

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a useful purpose and had brought out certain aspects of the balance of payments problems which should be borne in mind by the Sub-Committee when considering Article 24.

He suggested that the representatives of Argentina, Australia, Belgium, Brazil, Canada, Cuba, Czechoslovakia, France, Greece, India, Italy, Lebanon, Liberia, Norway, Philippines, United Kingdom and United States of America should compose the Sub-Committee to consider Articles 21, 23 and 24 and the proposals and amendments submitted in relation to those Articles. It had been necessary to take into account that European countries were particularly interested in those Articles and they therefore had a larger representation than was usual. Many members of the Preparatory Committee had been included as they were well acquainted with the technical and complex questions involved, and also because discussion had shown that certain of them still had doubts regarding the drafting of the Articles in question.

It was decided to set up a Sub-Committee with the membership suggested by the Chairman.

2. NEW ARTICLE TO CHAPTER IV

Mr. STUCKI (Switzerland), referring to the amendment submitted by his delegation (document E/CONF.2/C.3/11), said that although the Swiss delegation accepted the purposes of the Charter, it would have liked to assume a very different attitude from that which it was obliged to take. The Geneva draft, however, had forced it to take up a defensive attitude because the putting into force of such a Charter would have a catastrophic effect on Switzerland's economy. The amendment submitted by the Swiss delegation, if approved, would enable that delegation to recommend to the Swiss Parliament and people that Switzerland should adhere to the Charter. Pointing out that Switzerland had no raw materials to export and was therefore poorer than any other country attending the Conference, he said it did not belong to any of the various economic groups represented.

He quoted figures showing that in 1946 the total foreign trade deficit amounted to 700,000,000 Swiss francs. In 1947 the figure had been increased by over a billion Swiss francs, whereas exports had increased to a very small degree. The present foreign trade deficit amounted to 1,500,000,000 Swiss francs. The foreign trade of Switzerland was equivalent to \$400 per capita, and no other country in the world bought as much foreign produce.

Switzerland's situation was precarious: she was obliged to protect herself from any further aggravation of the economic situation and could not therefore remove any of the restrictions which were now imposed. He emphasized the damage done to Swiss economy between 1930 and 1939 by the regulation of currency payments instituted by Germany, and the recent blows  
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to the tourist traffic caused by currency restrictions imposed by two European nations. The income from foreign investments was also greatly jeopardized.

Seventy percent of Switzerland's exports were now considered to be luxury products and, under the present draft Charter, countries who were entitled to adopt quantitative restrictions under Article 21 might decide to take that measure with serious results for Switzerland. The soil of Switzerland was very poor and could not produce anything which could be called essential and which would thus have a sure export market.

Mr. BRIGNOLI (Argentina) felt that the Charter should take into consideration the situations of all countries individually and in groups, and that the Amendment of Switzerland should be studied and incorporated into the Charter.

Mr. MULLER (Chile) in ensuring the economic development of his own country, and as a principle of justice, supported the Swiss amendment.

Mr. CORIAT (Venezuela) said the condition of his country was a replica of that of Switzerland. Venezuela had had no difficulties concerning its reserves until after the War, when imports had increased to a tremendous extent considering the sparse population. Exports of national products covered only eight to ten percent of the intake of foreign exchange, but Venezuela's position had been retained through the export of minerals, which would some day be exhausted. Petroleum had been exploited by foreign capital, and did not benefit the country except through the sale of dollars to cover employment, etc., and through taxes. Returns from agriculture and livestock were negligible. The Government had formed a Promotion Corporation which would spend ca. \$800 million in order to improve the situation.

Venezuela supported both the Amendment of Switzerland and the statement by her representative, but would make a concrete statement when subsidies were discussed.

Mr. BLUSZTAJN (Poland) agreed with the principle of the Swiss amendment, but called attention to the fact that if it were adopted with no alterations, certain countries would be able to apply measures which would have a deplorable effect on international trade, while invoking the reasons which were embodied in the amendment. A better solution would be to amend Article 23 to read that the application of quantitative restrictions would be authorized if a country proved that thereby the volume of its international trade would be increased more than if it applied the provisions of Article 22.

/Mr. SAHLIN (Sweden)

Mr. SAHLIN (Sweden) could not share wholeheartedly the Swiss point of view. It would, however, be in the interest of all Europe if Switzerland became a member of the ITO; the Geneva draft did not take her unique situation into account.

Mr. COREA (Ceylon) could neither accept the wording of, nor the solution suggested by the Swiss amendment, but shared the fear which prompted it: that certain provisions of the Charter, if not amended, would crush development in some of the small countries.

Mr. van TICHELEN (Belgium) was aware of the threats to the safety of Switzerland, but was surprised that one of the most prosperous countries should ask for the opportunity to limit its imports, and that others should immediately support the Swiss amendment.

The same course seemed to be followed here with regard to economic disarmament as had been followed at Geneva at the Disarmament Conference. Despite good intentions, economic barriers were being erected to the detriment of international trade.

The provisions of Article 21, paragraph 3 could, if necessary, be invoked by Switzerland and the countries supporting her. The word "restoration" in paragraph 3 (a) might be replaced by "maintenance".

The Charter must provide both for the immediate post-war period and for the more normal period which would follow. The former was covered by Article 21, paragraph 3 (a) and Articles should be set up for the latter period which would stimulate trade.

Mr. RICHARD (France) said that, being a neighbour of Switzerland and also an exporter of luxury products, France understood her case better than other countries. A solution must be found for the Swiss problem, although the amendment as it stood might raise numerous difficulties.

Mr. de VRIES (Netherlands) said that in 1927 the Netherlands had been in the same situation as Switzerland was today, and an emergency clause had been drafted at the World Conference which was even narrower than the Swiss amendment. The Netherlands had had a large amount of gold at that time. She had resorted to quantitative restrictions as the only means of defending herself against a world depression, but unemployment had nevertheless resulted in the nineteen thirties. Only an expanding world trade could remove the difficulties of exporting luxury products. Switzerland could safeguard her agricultural interests by appeal to paragraph 1 (a) of Article 40 if paragraph 3 (a) of Article 21 proved insufficient.

Mr. CHANG (China) supported the Swiss proposal in principle.

Mr. THOMPSON-McCAULAND (United Kingdom) agreed that it would be a great loss were Switzerland not a member of the ITO. Full consideration had  
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not yet been given to the unique situation of the Swiss economy, but detailed study should provide a solution. Article 21 met a great many of the difficulties. The United Kingdom desired to have power to control imports in order to achieve and maintain convertibility. Switzerland and the United Kingdom were in a similar position in that respect, as well as in many others.

Mr. LAMADRID (Cuba) supported the principle of the Swiss amendment, subject to a further statement.

Mr. STUCKI (Switzerland) thanked those who had shown their understanding and friendship. It seemed that the representative of Belgium did not understand a request for means to protect exports: the threat to the Swiss export and tourist trades would naturally have repercussions in the domestic market and would affect the level of employment. Articles 21 and 40 would not solve the difficulties. The 1927 Conference could not have harmed the Netherlands since it had not been put into force; moreover, the Article regarding restrictions was considerably more flexible than those in the Draft Charter.

Mr. BAYER (Czechoslovakia) recalled the bilateral agreement between Switzerland and Czechoslovakia after the latter's liberation in 1945. This agreement had been the means of developing an astonishingly large and advantageous trade between two comparatively small countries.

The CHAIRMAN suggested that since the Swiss amendment dealt with a special problem evoked by the present day situation in Europe, an ad hoc sub-committee be established to study the amendment, and be composed principally of European countries.

Mr. TERRA (Uruguay) disagreed that the problem was peculiar to Switzerland or Europe. Application of the principle of the Swiss amendment would solve a problem which had provoked a number of amendments. The delegation of Uruguay could withdraw many of its amendments were the principle proposed by Switzerland accepted.

Mr. CORIAT (Venezuela) said that the Swiss amendment also pertained to the problem of Venezuela.

It was agreed that the ad hoc sub-committee should be composed of representatives of : Belgium, China, France, Poland, Sweden, Switzerland, United Kingdom, United States of America, Uruguay and Venezuela.

The meeting rose at 5.05 p.m.

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