

THIRD COMMITTEE: COMMERCIAL POLICY

SUB-COMMITTEE A (ARTICLES 16, 17, 18, 19)

NOTES OF THIRTIETH MEETING

Held on Wednesday, 28 January 1948, 10.30 a.m.

Chairman: Dr. G. A. LAMSVELT (Netherlands)

1. Consideration in principle, in connection with Article 17, of paragraph 1 of new Article 27 A proposed by Brazil (E/CONF.2/C.3/H/W.6)

"1. No Member shall grant, directly or indirectly, any subsidy on the domestic production of any commodity, in respect of which the tariff has been reduced or bound by negotiation pursuant to Article 17."

The delegate for Brazil referred to the remarks made in support of this proposal in Sub-Committee H of Committee III (E/CONF.2/C.3/H/W.6), and explained, in reply to the New Zealand delegate's inquiry, that it was intended to apply only to new subsidies.

The delegate for Denmark considered that it was not possible or desirable to write into the Charter provisions to cover all possible cases and believed it was preferable to rely upon Articles 89 and 90 in the event of a tariff concession being impaired.

The delegate for the United States considered the Brazilian proposal unnecessary and pointed out that (1) in some instances subsidies were preferable to increased tariffs because they held prices down, thereby expanding consumption to the benefit of exporting countries; (2) subsidies were subject to legislative check; (3) the Geneva negotiations were based on the assumption that countries were free to use production subsidies; (4) although subsidies might be used in some cases to nullify tariff concessions, recourse would be available under Articles 89 and 90 or the nullification and impairment clauses of the General Agreement on Tariffs and Trade.

The Australian, French, Netherlands and United Kingdom delegates agreed with the United States delegate that the Brazilian proposal was unnecessary.

The Brazilian delegate felt that (1) it was preferable to preclude nullification

nullification and impairment of tariff concessions rather than force Members to seek redress under Articles 89 and 90 or the nullification and impairment clauses of the General Agreement, and (2) Article 25 did not include adequate safeguards with respect to the use of subsidies. He proposed the following revision of his original amendment to meet the point that negotiations would be based on the assumption that production subsidies were permissible:

"No Member shall grant, directly or indirectly, a subsidy on the domestic production of any commodity if it would have the effect of nullifying or impairing a concession obtained thru the binding or reduction of a tariff in negotiations pursuant to Article 17."

The delegate for Cuba, subject to consultation with his delegation, considered that it would be extremely useful to emphasize the important principle that tariff benefits should not be impaired by including in Section C of the Charter a provision along the lines of the revised Brazilian proposal, particularly since the existing subsidy provisions were weak. He agreed with the United States delegate that the fact that Members were free to use production subsidies was taken into account during the Geneva negotiations, but felt that new negotiations would raise a different question.

The Brazilian delegate made the following additional points:

1. While a case might be made on general economic grounds for the technique of subsidies as a means of protection as compared to tariffs, his proposal was not concerned with the merits of subsidies as such, but with the impairment of benefits through the use of subsidies;
2. It was not the Brazilian interpretation that the Geneva negotiations were based on the assumption that countries were free to use production subsidies;
3. While agreeing that subsidies could result in an expansion of the market, this would not necessarily mean that the increase would be shared equally between the exporting and importing country.

The delegate for Colombia expressed support for the Brazilian amendment.

The delegate for Mexico expressed support with the principle of the Brazilian amendment.

The delegate for China expressed sympathy in a general way for the Brazilian amendment and considered that it probably deserved further study.

The delegates for New Zealand and Peru expressed sympathy for the principle that tariff benefits should not be impaired by the use of subsidies, but could not support the Brazilian proposal as such.

The Chairman concluded that a majority of the Sub-Committee believed

/that it was not

that it was not necessary to write into the Charter the proposed Brazilian amendment, either in its original or revised form, whereas a minority of the Sub-Committee supported the Brazilian amendment at least in principle. It was agreed to advise Sub-Committee H of Committee III accordingly.

2. Proposed addition to Article 18, (Sub-Committee D Working Paper for Seventh Meeting and E/CONF.2/C.3/D/W.11) referred by Sub-Committee D (Articles 40, 41 and 43) on the basis of its discussion of new Article 40 A proposed by Colombia (Item 7, E/CONF.2/C.3/11).

It was agreed that both the Danish and Norwegian delegates should participate as members of the Sub-Committee during the discussion of this item.

It was noted that whereas the Working Party of Sub-Committee D had recommended this proposal, Sub-Committee D, in referring it to Sub-Committee A, made no recommendation as to its merits,

The delegate for Colombia observed that since he had explained this proposal at some length both in Committee III and in Sub-Committee D, he would be brief. Its main purpose was to provide that high internal taxes of a purely fiscal character should be subject to negotiations in the manner provided for in Article 17.

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