

THIRD COMMITTEE: COMMERCIAL POLICY

SUB-COMMITTEE G (SWISS PROPOSAL)

NOTES ON THE EIGHTH MEETING

Hold on Wednesday, 4 February 1948, at 6.00 p.m.

Chairman: Mr. L. P. THOMPSON-McCAUSLAND (United Kingdom)

The representative of Switzerland said that the discussion had so far been inconclusive, and he requested that the Sub-Committee should make a definite decision as to whether they wished to adopt the amendment proposed by his delegation or not. The Sub-Committee decided against the adoption of the amendment of the representative for Switzerland by four votes to three, with two abstentions; one member of the Sub-Committee was not present.

The CHAIRMAN, in summing up the discussion to date, said that the Sub-Committee had come to the following four conclusions: it had agreed (i) that a country in the situation of Switzerland would be subject to serious pressure if its principal customers were applying Article 21; (ii) that it would be regrettable if such pressure undermined the convertibility of the country's currency; and (iii) that the Charter did not include provisions which would cover fully the requirements of Switzerland, as set forth by the representative of Switzerland; further, that it was reasonable that such a country should want to attain a position from which it could negotiate bilateral agreements, and that if the pressure were severe such a country would have to take emergency action either if its exports were seriously curtailed, or if for one reason or another it were flooded with imports which competed with its domestic industries. The Sub-Committee had not agreed (iv) on any specific exemption which would meet the case of Switzerland.

The representative of Switzerland repeated his previous contention that not only must the threat to convertibility be taken into account, but also the danger of widespread unemployment.

The representative of Belgium suggested that a solution to the problem might be found if a country, a substantial part of whose exports went to countries applying Articles 21 and 23, were allowed to apply such restrictions as would enable it to reach suitable agreements to ensure that those other countries might increase their imports from that particular country under

/Article 23.

Article 23. The representative for Switzerland said that he had, on previous occasions, already rejected attempts to fit the case of Switzerland into Articles 21 and 23; he had no authority to accept any proposal other than the one which his delegation had submitted. He thought, therefore, that the Sub-Committee would be ill-advised to proceed along the lines suggested by the representative for Belgium.

The CHAIRMAN said that it was essential to draw a distinction between the concept of a commercial system as laid down in the Charter and other concepts of a commercial system. If the Charter system came into force countries would accept certain limitations on their freedom of unilateral action in order that the use of restrictions might be reduced to a minimum. Within this system a country which was having Article 21 operated against it had defences, as well as those countries which were in balance of payment difficulties. Those difficulties could be more easily overcome if no country imposed quantitative restrictions until compelled to do so by its balance of payment situation. It must be noted that a country applying the provisions of Article 21 was obligated to avoid unnecessary damage to the commercial or economic interests of other members.

If, however, a country had in the past built up a system different from that laid down by the Charter, its future policy would have to be determined by whether or not it felt able to place sufficient reliance on the Charter system coming into force to enable it to abandon its existing system. The solution of the present problem must be concerned with this passage from one system to another.

If the Sub-Committee accepted this approach to the problem, the CHAIRMAN stated that he was willing to prepare a draft report on the lines set out above. It would be difficult to draft a specific amendment embodying the suggestions he had made, since any such proposal might have to appear in a different part of the Charter from that which was within the terms of reference of the Sub-Committee.

The representative of Switzerland stated that he did not agree with the procedure suggested by the CHAIRMAN, on the ground that it would unnecessarily prolong the debate. The issue was straightforward and simple: Switzerland desired freedom from the obligations of Chapter IV, and the Sub-Committee should say explicitly whether it was prepared to grant such freedom wholly, not at all, or in part. If they were prepared to grant a limited release, he wished to know what particular limitations were envisaged. He was opposed to the idea of giving a release for a specified period of time; it was the general economic situation which would determine Switzerland's ability to accept the provisions of Chapter IV, and it was  
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impossible to tell if and when the general economic situation would change.

The Sub-Committee agreed that the Chairman should prepare a draft report, as he had himself suggested, and submit it to the next meeting of the Sub-Committee.

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