

THIRD COMMITTEE: COMMERCIAL POLICY

SUB-COMMITTEE 'H' ON SECTION C - SUBSIDIES

NOTES OF THE FIRST MEETING

Hold at Havana, Cuba,  
on Wednesday, 7 January 1948 at 4.00 p.m.

1. Election of Chairman

Mr. E. McCARTHY (Australia) was elected Chairman.

2. Article 25

(a) The Cuban proposal to insert the words "direct or indirect" after the word "subsidy" in line 2 was discussed. The Cuban delegation was concerned that the method of assisting home production by means of tax remission - the only form of subsidy which Cuba can afford - should be covered by Article 25. In the course of discussion, attention was drawn to Article 18 which forbids the discriminatory application of internal taxes to imported products. It was considered that tax remission under Section C, as a method of price support for domestic producers, must not conflict with the non-discriminatory provisions of Article 18. It was felt that the substance of the Cuban amendment was covered by Article 25 of the present text and that acceptance of the amendment would involve practical complications.

The Cuban delegate agreed to withdraw the amendment on the understanding that an appropriate note, agreed by the Cuban delegation, be included in the Sub-Committee's Report to the effect that the intentions of the amendment were covered by the existing text.

This was agreed.

(b) The United States amendment, to add the words "maintain or" and replace the word "reduce" by "restrict" in the first sentence, was discussed. It was argued that a Member's subsidy might affect total trade in a commodity without increasing the Member's exports or reducing its imports. In such circumstances the subsidy might offset the effect of negotiated tariff concessions.

/Against the

Against the amendment it was argued that Article 25 referred implicitly to the time of a Member's entry into ITO; the amendment might therefore be interpreted as applying to trade at that time and involving judgment on what might have been the trade position in the absence of the subsidy. To meet objections to the word "restrict", the phrase "reduce, or prevent an increase in" was suggested. The CHAIRMAN established that the sense of the meeting was in favour of the following text:

".....which operates directly or indirectly to maintain or increase exports of any product from, or to reduce, or prevent an increase in, imports of any product into....."

(c) The United States proposal, to introduce the phrase "a Member considers" instead of the determination by the Organization, was discussed. Several delegations supported the amendment on the grounds that it would expedite procedure and also that it was consistent with similar changes made in Chapter VI. Objections were raised, however, to the explanatory note by the United States delegation because it stated that "determinations" would be made by the complaining Member. Doubts were also expressed about waiving determinations by the Organization in this instance, although it was pointed out that the possibility of consultation with the Organization still remained in the Article.

A decision on the amendment was deferred until the next meeting.

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