

DRAFTING COMMITTEE OF THE PREPARATORY COMMITTEE OF THE UNITED NATIONS
CONFERENCE ON TRADE AND EMPLOYMENT

SUMMARY RECORD OF THE FOURTH MEETING

Held at Lake Success, New York 23 January 1947 at 10:30 a.m.

Examination of Article 24 - Reduction of Tariffs and Elimination
of Preferences

Mr. LEDDY (UNITED STATES) proposed that the phrase "or termination" be inserted after the word "modification" in sub-paragraph (a) of paragraph (1) and that the words "and no margins of preference shall be increased" be added at the end of sub-paragraph (b) of the same paragraph.

Messrs. SHACKLE (UNITED KINGDOM), SMIT (CANADA) and PHILLIPS (AUSTRALIA) stated that at first sight they saw no objection to these amendments, but they reserved the right to comment upon them further at a later stage.

Mr. ADARKAR (INDIA) suggested that the word "substantial" in paragraph (1) should be deleted because some countries might not be in a position to reduce tariffs substantially and therefore the phrase "substantial reduction of tariffs" was unrealistic.

Mr. SHACKLE (UNITED KINGDOM) pointed out that the words "substantial reduction of tariffs" merely set a target for the tariff negotiations and that there were adequate safeguards in paragraph (3) of Article 24 and in other places in the Charter for countries with low tariffs. Therefore he opposed the deletion of the word "substantial".

After Messrs. BENDA (CZECHOSLOVAKIA), Lopez FRESQUET (CUBA) and LECUYER (FRANCE) had supported Mr. Shackle, Mr. Adarkar withdrew his proposal.

Mr. ADARKAR (INDIA) suggested that the following words be substituted
/for sub-paragraph

for sub-paragraph (b) of paragraph (1) "Margins of preference on any product shall in no case be increased and no new preferences shall be introduced."

He pointed out that this suggestion embodied the reservation which the Indian delegation had made at the First Session of the Preparatory Committee.

Mr. LEDDY (UNITED STATES) said that he was prepared to accept Mr. Adarkar's proposal, but only as an additional sub-paragraph to paragraph (1). Mr. Adarkar's proposal resulted from an objection to the word "automatically" in sub-paragraph (b) and the use of this word had been discussed at great length in London.

Mr. BREBNER (NEW ZEALAND) stated that he supported Mr. Adarkar's objection to the use of the word "automatically" and Mr. MORETON (AUSTRALIA) said that he wished to maintain the reservation which the Australian delegation had made at the First Session of the Preparatory Committee.

The CHAIRMAN remarked that the great majority of the Committee apparently favoured the retention of sub-paragraph (b) of paragraph (1) as it was drafted at the First Session. However, it would be noted in the report of the Drafting Committee that three delegations maintained the reservations they had made at the First Session.

Mr. ADARKAR (INDIA) asked that his proposal be recorded by the Drafting Committee as an alternative draft of sub-paragraph (b) of paragraph (1).

Messrs. MORETON (AUSTRALIA) and BREBNER (NEW ZEALAND) supported this request.

Mr. LEDDY (UNITED STATES) stated that at the First Session in London, India, South Africa and New Zealand had made reservations on sub-paragraph (b). However, the Delegation of Australia had not opposed this sub-paragraph, although that delegation had said that they considered it would not operate to produce mutually advantageous negotiations.

Mr. Leddy went on to say that the proposal made by Mr. Adarkar now went beyond the reservation the Delegation of India had entered in London.

Mr. ADARKAR (INDIA) defended his proposal by pointing out that sub-paragraph (b) could only be read in the light of the preceding parts of paragraph (1). It was not the intention of the Delegation of India

/to suggest

to suggest that margins of preference should not be decreased.

The CHAIRMAN suggested that Mr. Adarkar's proposal that his amendment should be referred to the Second Session of the Preparatory Committee by the Drafting Committee as an alternative text should be referred to the Legal and Drafting Sub-Committee. This was agreed.

The CHAIRMAN asked Mr. Lopez FRESQUET (CUBA) whether the Delegation of Cuba maintained the reservation which was set out on page 10 of the Report of the First Session. Mr. Lopez Fresquet replied that after consideration his government had decided to withdraw this reservation.

Paragraph (2) of Article 24 of the Charter was accepted without change.

Mr. TORRES (BRAZIL) suggested that the phrase "and particularly with regard to Members' legitimate need for protection" should be inserted in paragraph (2) after the phrase "having regard to the provisions of the Charter as a whole". Mr. Torres argued that the addition of these words was clearly compatible with the spirit of the Charter and of the Article and that this would make the Article more explicit. He thought that there were two approaches to the problem of reduction of trade barriers - a negative approach as embodied in Article 24 and a positive approach which was the development of economic resources in Member countries. He suggested the insertion of these words so as to show that Members had both these approaches equally in mind.

This proposal was supported by Mr. ALVAREZ (CHILE).

Mr. SMITH (CANADA) said that the additional words might have a much wider effect than was probably intended by Mr. Torres. It was conceivable that highly industrialized countries might consider they had a legitimate need for protection.

Mr. SHACKLE (UNITED KINGDOM) considered that the reference in paragraph (3) to the provisions of the Charter as a whole reflected the

/balance

balance which had been struck in the document between industrially developed countries and industrially undeveloped countries. He thought that the addition of the words in question might tend to upset this balance.

Mr. Lopez FRESQUET (BRAZIL) stated that he preferred the paragraph as it was drafted at the First Session and Messrs. JUSSIANT (BELGIUM-LUXEMBOURG), ADARKAR (INDIA) and BREBNER (NEW ZEALAND) adopted a similar position.

Mr. NAUDE (SOUTH AFRICA) feared that adoption of Mr. Torres' proposal would tend to upset the balance in the Charter which had been reached after much discussion in London. If so, he thought that this proposal amounted to a change in substance such as the Drafting Committee had no power to consider.

After further discussion Mr. Torres agreed that his proposal should not be discussed further, but both he and Mr. ALVAREZ (CHILE) reserved their positions.

Mr. ALVAREZ (CHILE) pointed out that at the First Session in London the Delegation of Chile had asked for a definition of the phrase "without sufficient justification" in paragraph (3). He thought the Drafting Committee might consider defining this phrase.

Mr. LEDDY (UNITED STATES) replied that the First Session of the Preparatory Committee had considered that it would be impossible to prescribe a definition of this phrase and that the matter would have to be left to the Organization, having regard to the provisions of the Charter as a whole.

Mr. ALVAREZ (CHILE) accepted Mr. Leddy's explanation. It was agreed that the point should be mentioned in the Drafting Committee's report.

Paragraph (3) was then accepted as drafted at the First Session in London.

Mr. SHACKLE (UNITED KINGDOM) stated that Article 24 should take account of the situation that a Member which had consolidated its tariffs pursuant
/to negotiations

to negotiations might later alter its method of tariff valuation or its tariff classification. In such cases he thought that affected Members should be able to ask for re-negotiation. Accordingly he proposed that the following paragraph be added to Article 24:

"If any Member Country which has negotiated a consolidation of any of its tariff rates in pursuance of this Article should, at any time while such consolidation remains in effect, alter its method of tariff valuation or its tariff classification in such a way as to increase the duty payable upon any product which, at the time of negotiation of the tariff consolidation, was understood to be covered thereby, then the other Member or Members at whose request such consolidation was negotiated, shall be entitled to call for further negotiations forthwith with a view to reaching a satisfactory adjustment of the matter; and the Member which has altered its methods of valuation or its tariff classification shall enter into such further negotiations as requested."

The CHAIRMAN said that Mr. Shackle's proposal would be circulated and would be considered at a later date.

It was agreed that the Delegates for France and Canada should be appointed additional members of the Administrative Sub-Committee.

Mr. BENDA (CZECHOSLOVAKIA) asked for a definition of the phrase "within a reasonable period of time" in paragraph (3) of Article 24.

The CHAIRMAN replied that at first sight he thought estimation of this period of time rested with a complaining Member.

Mr. LEDDY (UNITED STATES) stated that he thought the period of time would depend upon the circumstances of the country against whom it was proposed to bring a complaint.

It was agreed that the next meeting of the Drafting Committee should be held at 10:30 a.m. on 24 January 1947.
