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SECOND SESSION OF THE PREPARATORY COMMITTEE OF THE
UNITED NATIONS CONFERENCE ON TRADE AND EMPLOYMENT

VERBATIM REPORT

THIRTEENTH MEETING OF COMMISSION A

HELD ON FRIDAY, 13 JUNE 1947, at 2.45 P.M. IN THE
PALAIS DES NATIONS, GENEVA.

Mr. MAX SUETENS (Chairman) (Belgium)

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CHAIRMAN (Interpretation): Continuing our discussion of Article 36, the first speaker on my list is the Delegate of New Zealand.

Mr. I.C. WEBB (New Zealand): Mr. Chairman, at a stage in this discussion yesterday, Dr. Coombs made what I thought was a rather ominous remark, that no one --we should note the words-- no one knew who was going to be or was not going to be a Member of I.T.O., and it is, I think, an ominous remark but a salutary one.

He went on to say that in facing this problem of non-Members, we were facing the most difficult problem which this Conference has faced yet, and I agree with that. I think that this discussion, brief as it has been, has shown that if non-Members are numerous or are commercially important, then the Organisation will face a very grave dilemma, because in that event there are only two courses open to the Organisation. It can impose only the lightest restrictions on relations between Members and non-Members, and in that case, the distinction between membership and non-membership becomes at best somewhat meaningless, and the Organisation will be liable to sink into futility. But I fear that a more likely result in that event is that some Members, at any rate, will discover that on balance membership of the Organisation involves more disadvantages than advantages, and that state of affairs would also be equally fatal to the Organisation.

Now, let us consider for a moment the second alternative which is that non-Members are numerous or commercially important, and the Organisation attempts to impose somewhat rigid restrictions on relations with non-Members. In that event you have, I think, the very awkward paradox that an Organisation which has been set up in part for the purpose of reducing tariffs and

eliminating trade discrimination becomes, in fact, an instrument for keeping up tariffs and creating new discriminations, and I think that when a situation like that arises Members will be forced out of the Organisation; and Dr. Coombs has very wisely reminded us that the withdrawal of Members from the Organisation will almost certainly have a snowball effect.

Now, my purpose in underlining this dilemma is not to favour one or the other of the possible courses of action. It is rather to point out that if non-Members are numerous or commercially important, then the Organisation faces a dilemma which is, in fact, insoluble and must result in the Organisation being a failure. That, I think, brings us to a point which is so obvious that we are inclined to lose sight of it, and that is that either the Organisation achieves from the very outset a certain degree of universality, or it is stillborn. The issue is plainly between universality or nothing at all.

Now, several Delegates have suggested that we should leave the question of how to deal with non-Members to the World Conference, when we shall know the dimensions of the problem; and we are not, on the whole, in favour of that course for the reason that it seems most essential that we should not do anything which will result in this Conference putting the problem out of sight and out of mind, because it is upon the decisions and on the general course of this Conference that the question of universality or not will depend.

We do not believe that a reasonable degree of universality is unattainable; provided always that the Conference keeps in mind the distinction between the objectives and means of reaching those objectives. There is plainly in the world today enough agreement on the basic objectives of the Charter to make universality possible, but there is such diversity--and I think a very healthy diversity--of economic practice in the world at the present time that an agreement on means of reaching those ends is not possible; in other words, the moment we start to spell out methods of reaching objectives we put universality out of reach, and that is perhaps an obvious hard point to face, but I think it should be faced.

After all, we are not the representatives of seventeen governments seeking to compose our differences here around the Draft Charter. We are the representatives of seventeen governments trying to frame a Charter which will be acceptable to a world which has a very large number of governments - more than are represented here. For that reason, Mr. Chairman, we feel that this problem should be kept before this Conference, and that the most desirable course is the course suggested by Dr. Coombs, that the whole matter should be referred, after discussion, to a Sub-Committee even though that Sub-Committee will necessarily leave the major decision to be taken by the World Conference.

Dr. A.B. SPEEKENBRINK (Netherlands): Mr. Chairman, I must confess that I also have been very much impressed by what had been said yesterday by several delegates, and in the last instance, by the delegate of India. All that comes down to this, that we have a very difficult problem before us as, at the moment, we do not know all the aspects of this Article so as to be able to draft it with a clear aim in view. I therefore, in principle, adhere to the procedure envisaged in London, that we should leave the ultimate settlement of this problem to the World Conference, but at the same time, I am not opposed to studying it further here. We are here more or less between the devil and the deep blue sea. On the one hand we want to make the ITO as strong as possible. As has been pointed out by the delegate of New Zealand, when we are too soft about not wanting people to enter the ITO we might have a definite loss of attractiveness so that the number of non-members who simply would want to wait till they receive something for nothing, might increase, (as we hope it will come) especially when it comes to this stage - that the membership of the

ITO will mean, to important numbers of countries, a real sacrifice in the light of the national economic policy that they have furthered up till now, in the interest of the aims of the Charter. On the other hand, if we are too rigid, we might make it impossible for countries to enter into the ITO, and these countries certainly must be able to take their position with the full knowledge of facts, and by not accepting a draft here they will already put themselves in a rather difficult situation in view of the coming World Conference.

Therefore, I also would favour a further study of this problem and when we shall study it, I would then like to point out another aspect of the case which was not mentioned so much yesterday. It is that we must take care that the other nations will not misuse the Most-Favoured-Nations clause so as to make the ITO impossible. I think that also might be a real danger. We have had that experience in the past in the more limited efforts in this field, one of them was mentioned this morning by you, Mr. Chairman, and I think that when we study this problem we must also take care of this aspect.

In view of this more general discussion, I do not think it is the time to criticise the Draft presented here, especially if we are to have a special Sub-committee to study it, so I would limit myself to these remarks. Thank you, Mr. Chairman.

CHAIRMAN (Interpretation): Does anyone else wish to speak on the subject?

The Delegate of Canada.

Mr. H.F. ANGUS (Canada): Mr. Chairman, Gentlemen, I should like to say just a word or two about the views of the Canadian Delegation on this point.

We are in general agreement with the position of the United States and we are in great sympathy with the points of view put forward by many of the other Members. We feel that it is basic that, as the Delegate for Czechoslovakia said, Members should not seek - and I think we should add, should not accept - a privileged position in the markets of a non-Member, a position that would give them privileges which did not extend to other Member countries.

We realise that for a country to be a non-Member is not an international crime, it is not something that one can discuss in terms of sanctions. The general principle is one of equity, that those who share the advantage should also share the burdens by which that advantage is procured, and we feel that it would be a great pity if that principle were not enshrined as a result of the discussions at this Meeting.

We hope that when the matter comes to the Drafting Committee, if it does, it will be possible to work out a compromise that will give effect to that whole principle

without embarrassing unduly particular countries in the difficult positions which have been explained by the Delegate for Czechoslovakia, by the Delegate for India, and so forth - without embarrassing them in their normal relations with non-Member countries.

We were impressed by the argument advanced by the Delegate for Australia, that we are dealing with an unknown situation, that we do not know who will be Members and who will be non-Members, that it would be premature to make strict or rigid rules before we are able to understand the situation with which we are dealing; but, in spite of that, we feel that an indication of principle, an indication of attitude and of aim could very advantageously be given - perhaps a declaration of principle, with great latitude left to the Organization as to the time of its application and as to the means which should be adopted to give effect to it.

CHAIRMAN (Interpretation): The delegate of the United States.

MR. J.W. EVANS (United States): Mr. Chairman, I simply want to agree with those delegates who have proposed that the problem be referred to a sub-committee for further consideration, but, particularly in view of its importance and the difficulties involved, we would suggest that this be a special ad hoc sub-committee for the consideration of this problem, rather than a sub-committee for the consideration of other articles.

CHAIRMAN (Interpretation): The delegate of the United Kingdom.

MR. R.J. SHACKLE (United Kingdom): Mr. Chairman, I do not think I have anything to add beyond saying that we are in favour of setting up a special - and I stress the word special - sub-committee to study this problem.

CHAIRMAN (Interpretation): The delegate of Brazil.

M. E.L. RODRIGUES (Brazil): Mr. Chairman, because I am in full agreement with the statement made by the delegate from Australia, I fully support his views.

CHAIRMAN (Interpretation): The delegate of China.

MR. C.H. CHEN (China): Mr. Chairman, the Chinese delegation associates itself with the views expressed yesterday and today by several delegations, and is in favour of having this delicate question deferred for the consideration of the coming world conference, or of referring it to a special sub-committee for further examination.

So far as China is concerned, she has standing treaties with some non-members, and we have to adhere to the obligations imposed by the Charter on the one hand, and, at the same time, also to

observe the treaties' obligations. Therefore, it requires some time for us to study this problem, and we think it is better to have it postponed and not to have any decision made right away.

CHAIRMAN (Interpretation): The delegate of France.

M. BARADUC (France) (Interpretation): Mr. Chairman, those who have watched the discussion which has taken place about article 36 since yesterday afternoon must recognise that this is certainly one of the most important problems with which we have to deal in the Charter.

Some of our colleagues, in the course of this discussion, have referred to the universality of the Charter. The French delegation favours such universality, and feels that the Charter should be extended as much as possible so as to cover the largest possible number of members.

At repeated times in London and New York the French Delegation have made declarations to that effect.

The question which now is before the Committee is to know which States will be Members of the forthcoming International Trade Organisation, and it is obvious that it is impossible at this stage to answer such a question.

Anyhow, the Charter should be drawn up in such a way as to make it more interesting for a State to be a Member of the Organisation than to remain outside of the scope of the International Trade Organisation. At this stage we do not know whether certain Great Powers will or will not be Members of the International Trade Organisation. It seems difficult to draft the text of Article 36, and if a Sub-Committee was set up to attempt to draft such an Article I feel it is bound to fail.

On the other hand, my contention is that it might be a mistake for us to leave Article 36 blank. In other words, if some body was set up by us to deal with the problems raised by Article 36, I feel that their duty and terms of reference should be to draft a form of declaration which we could keep in the text of the Charter to explain what our feelings are about this problem and why we did not at this stage feel that we could find a final draft for Article 36.

Obviously at this time the problem is so complicated - there are so many conflicting views - that if we attempted to draft Article 36 itself our draft would be bound to be vague and incomplete.

The French Delegation would to some extent favour certain declarations made yesterday and certain suggestions, such, for instance, as the suggestion of the Australian Delegation, to adjourn the whole problem; but if on the other hand it is felt that a Sub-Committee should be set up to deal with the matter, my contention is that the terms of reference of such Sub-Committee

should be to prepare a declaration to be embodied in the Charter.

CHAIRMAN: The Delegate of Czechoslovakia.

Mr. AUGENTHALER (Czechoslovakia): Mr. Chairman, I would like to support the proposal presented by the United States Delegate to take to a special Sub-Committee this problem for careful study and report to the Commission.

CHAIRMAN: The Delegate of the United Kingdom.

Mr. SHACKLE (United Kingdom): Mr. Chairman, in my submission I think this special Sub-Committee need not necessarily be expected to produce a draft Article.

It may be looked to to analyse the problem, and we could leave it a free hand to make such suggestions as it may think fit.

We may very well decide when we see the results to treat it as purely a working paper. We may decide not to adopt it. That all remains to be seen.

That is all I wish to say.

CHAIRMAN: The Delegate of the United States.

Mr. EVANS (United States): I simply want to agree with the Delegate of the United Kingdom, Mr. Chairman, that the Sub-Committee should have a free hand with any recommendation it considers desirable, and that it should not be circumscribed.

CHAIRMAN: The Delegate of France.

Mr. BARADUC (France) (Interpretation): Taking into account what has just been said by the Representative of the United Kingdom, the French Delegation does not oppose the setting up of a Sub-Committee..

CHAIRMAN (Interpretation): This being the case, I take it then that there is unanimous agreement in this Committee to set up a special Sub-Committee to deal with the problems raised by Article 36, and it is also decided that this Sub-Committee should be given in their terms of reference full liberty to analyse the problem and make any suggestions or recommendations they feel fit to submit to us.

Agreed?

This being the case, I submit the following nominations for Membership of the Sub-Committee:-

Representatives of the United States, United Kingdom, Czechoslovakia, Brazil, France and the Netherlands.

Any objection?

I shall now take Article 38, but before entering into discussion of the Article I shall briefly refer to Article 35.

We have already decided to refer the consideration of that Article to a Sub-Committee. My suggestion is that the Sub-Committee to deal with it might be the one we have already set up to consider Articles 14, 15, 24 and 34.

We shall now take Article 38, and on Article 38, as you will find out from Document W/175 on page 13, a certain number of Amendments have been submitted. Some deal with matters of substance, others matters of form.

As to the first Amendments, those which go into the substance of the Article, the first I believe we should consider is an Amendment submitted by the Chilean Delegation, which proposes to insert after the words "the formation of a Customs Union", the following sentence:-

"and its initial transitional stage, which begins with the entry into force of an agreement establishing the effective commencement of a Customs Union and characterised by a total elimination of customs duties on certain products originating in the contracting countries".

I call upon the Delegate of Chile.

M. F. GARCIA-OLDINI (Chile) (Interpretation): Mr. Chairman, during the debate before the Commission the idea was brought up, it seemed to us, that Customs Unions could be the final goal of the different ways indicated in this Charter--that Customs Unions were the goal to which all these ways ought to lead.

Now, what is a Customs Union? We have a definition here in this Article, but it seems that a void has been left regarding the intermediate period, that is, between the period when Customs Unions are non-existent and the period when Customs Unions exist, and we think that this gap must be filled. In fact, there is more than one way in which to fill that gap, and more than one way which could lead us to the goal we are trying to reach, and in our amendment we have tried to indicate one of these ways.

The definition of a Customs Union could be the elimination--the total or partial elimination--of Customs duty, and, in fact, for that intermediate period the definition could be the abolition of certain categories of Customs duties. That is all that we wanted to say in our amendment.

CHAIRMAN: Does anyone wish to speak on the Chilean amendment?

H.E.M. Erik COLBAN (Norway) (Interpretation): I would like to ask the Delegate for Chile whether his proposal, as we see it in Document W.175, would not imply a system of mutual preference for an indeterminate period, which would be contrary to the principles of Article 14. I am merely asking the question, and I want the meaning of the proposal clarified.

CHAIRMAN: The Delegate of Chile.

M. F. GARCIA-OLDINI (Chile) (Interpretation): Mr. Chairman, of course, this is a question of interpretation, and we are dealing

with Customs Unions. What we wanted to do was to open a road which could lead us to Customs Unions, which is our goal, and it may be that this means which we are proposing here can be interpreted as a preferential system, and maybe not. It is, as I have stated, a question of interpretation; but our aim is to open a road which will lead us finally to the Customs Union, which is, in our view, the ideal which ought to be pursued by everyone. Now, it is impossible to ask States not to do anything to open the road to Customs Unions and, as I have stated previously, we have to bridge a gap between something which is non-existent at present and the Customs Union, which is the final goal. Our amendment is only one way of bridging that gap.

CHAIRMAN: The Delegate of the Netherlands.

Dr. A.B. SPEEKENBRINK (Netherlands): When we studied the problem in London, we had in mind two different categories. One was the formation of the Customs Union, meaning by that that the second stage and the third stage of the Customs Union would take a lot of time; that is to say, it is not the elimination of the duties between the two countries, but to bring into line all the other stipulations of the Customs Union. In the end, we come to the Customs Union as we now have between the Netherlands, Belgium and Luxembourg. For that reason, in paragraph 5 of Article 39 we stated clearly what we meant by Customs Union: "so that all tariffs and other restrictive regulations of commerce as between the territories of members of the union are substantially eliminated and substantially the same tariffs," and so on.

The other part we did not discuss very deeply, but we had in mind that the initial steps of the Customs Union, as meant

by the Delegate of Chile, might be covered by paragraph 4 of the new preferential arrangements that we have in exceptional circumstances. I might say that the formation of the Customs Union is not a thing that you can decide very lightly--it involves very important points of principle and takes much time. Certainly you have to begin with a very clear conviction that you want to have that Customs Union, and I think the problem that faces us here is whether Paragraph 4 does not cover sufficiently the situation which the Delegate of Chile has in mind, and whether it would not be preferable not to weaken the clause with regard to Customs Unions, as in paragraph 5 and paragraph 2.

Dr. H.C. COMBS (Australia): Mr. Chairman, I think perhaps it is as well if I report to the Commission that a question of new preferential arrangements of the kind contemplated in paragraph 4 of Article 38 has been receiving some attention in the Sub-Committee appointed to deal with Chapter IV. It has been pointed out at the London Conference that it was contemplated that new preferential arrangements might, in certain circumstances, be justifiable for the purpose of stimulating industrial development, particularly in small economies where the development would otherwise be handicapped by the lack of market, and in that consideration it has been suggested that perhaps the best way to deal with that problem would be by the inclusion of certain considerations relating to industrial development in Chapter IV, which would be applicable to the appropriate parts of the Charter which the organization would apply in exercising its functions. It has been suggested that perhaps the best place where those functions should be located, would be in Article 14, to which this particular form of arrangement is itself an exception.

Now I must say, Mr. Chairman, that the discussion that was carried on in the Sub-Committee on Chapter IV, has become exceedingly involved, and it is impossible at this stage to forecast what the nature of that inclusion would be. I only mention this point so that members will be aware that the consideration of Article 38, paragraph 4, will inevitably be affected by the work of that other Sub-Committee, and I suggest therefore that you might advise any Sub-Committee to which this matter was referred to make that contact with the Sub-Committee in order that they may not produce conflicting statements.

The second point I wish to refer to is one to which my attention was drawn - that is the possibility of arrangements between countries which may substantially be customs unions, but which do not amount to

an amalgamation of their customs territory. It was suggested, for instance, that an arrangement might be possible which would, in effect, be a free trade agreement and a completely free trade might exist between two or more customs territories which would have, as far as I can see without giving the matter detailed consideration, substantially the same effect as a customs union, although the customs territories themselves remain separate. I merely mention that as a matter to which any Sub-Committee might give attention, particularly in relation to the definition of customs unions which would be towards the end of paragraph 5 in this Article. The definition there requires the substitution of a single customs territory for two or more customs territories, and I have a shade of doubt as to whether that is really fundamental to the essential concept which it seems to me is the substantial elimination of tariffs between the areas.

The third point I wish to refer to is the one to which I referred in the discussion in London. It is the peculiar arrangement which exists between the Commonwealth of Australia and certain of its dependent territories. Those arrangements amount briefly to this. The territories have independent tariffs which are applicable uniformly to goods whatever their origin, including goods of Australian origin. The tariffs are essentially revenue tariffs and have little, if any, protective incidence, and as I say they apply equally to the goods from Australia as from any other territory. On the other hand, the main products of these territories are admitted into Australia duty free, that is, they are not subject to the protective incidence of the Australian tariffs. This arrangement clearly is no commercial advantage to the residents of Australia, on the contrary, it is an arrangement which is at their expense but we attach considerable importance to it since we believe it is a valuable stimulus to the development of these backward territories, and we

would regret very much any provision of the Charter preventing its continuance. As I understand it, paragraph 2 of Article 14 would save the existing arrangements subject to negotiation, which of course we are all at the time prepared to participate in, but it would apparently preclude the extension of the free entry into Australia of the products of this area if that free entry is not at present provided for. We can conceive the possibility that, as the development of these territories proceeds a little further, we would wish to extend the same sort of privileges perhaps to new products. Our only possibility of doing that at present would be to appeal to the Organization under Article 38 (4), for approval of such action, and on the whole we would be content, I think, to accept that arrangement, but I felt it necessary to refer to it here so that the Sub-Committee, when it comes to consider this matter, can give the point its attention from the point of view of the assistance that such an arrangement can offer to a very backward territory to ensure that the provisions at present made in the Charter are adequate to allow of their continuance.

CHAIRMAN: M. Baraduc.

M. BARADUC (France) (Interpretation): Mr. Chairman, it was very useful for Dr. Coombs to remind us of the difficulty in drafting this amendment without knowing what would be the draft adopted for Chapter IV, and I think we should not come to a complete conclusion in this debate.

The French Delegation has said how difficult it was to discuss Article 38 as long as the result of the work of the Sub-committee on Chapter IV is not known. For this reason, the French Delegation would like to propose that the debate be postponed until the beginning of next week, when the work of the Sub-committee presided over by Dr. Coombs will have been concluded. In any case, the French Delegation could not agree to discuss the matter at this stage.

CHAIRMAN: The Delegate for the Lebanon.

Mr. George HAKIM (Lebanon): Mr. Chairman, in New York the Lebanese Delegation supported the Chilean Delegation's amendment to sub-paragraph (b) of Paragraph 2 of Article 38. However, we have recently presented a Lebanese amendment to Paragraph 2, in Document E/PC/T/W/164, which proposes to add a new sub-paragraph (c) to Paragraph 2 of Article 38. The substance of our amendment would satisfy us as a substitute for the Chilean amendment.

Mr. Chairman, whenever you think I may defend this amendment in Document W/184, I shall be ready to do so.

CHAIRMAN: Mr. Oldini.

M. F. GARCIA-OLDINI (Chile) (Interpretation): Mr. Chairman, it is obvious that the question we are at present studying is not new, but it is also obvious that it is a very complicated one. Already in London the idea had been accepted, and in the revised text of the London conference we find "an appropriate exception to these provisions should be made for advantages accorded to facilitate frontier traffic, for advantages incident to the formation of a customs union and for new preferential arrangements approved by the Organization under paragraph (2) Article 66 and that suitable definitions of customs territories and customs unions should be included in Chapter V".

What we are trying to do is not to leave these various measures as such expressed vaguely, but we are trying to explain what some of these measures might be, and it has been said that paragraph 4 of Article 38 could satisfy us, but there is much we would like to say against this paragraph 4, but we think it is better for us to say this in the sub-committee mentioned by the delegate for Australia. It is true also that the question we are discussing is closely connected with those questions studied by the sub-committee, and therefore we should be prepared to postpone discussion until such time as a sub-committee is agreed on this question. Then we should be able to see more clearly the whole problem.

CHAIRMAN (Interpretation): The delegate of Belgium.

M. DESCLEE (Belgium) (Interpretation): Mr. Chairman, there would be another suggestion, and that is not to close the discussion of Article 38 before a decision on Article 14 has been made. This should not prevent, of course, other delegations making observations.

CHAIRMAN (Interpretation): The delegate of the United States.

MR. J.W. EVANS (United States): Mr. Chairman, it appears to me that there is no need for us to re-cover the ground which is being covered in the sub-committee on Article 14. I should think that Article 38 could be considered on its merits as an Article dealing with customs unions as defined in the present wording of the paragraph, leaving to the sub-committee on Article 14 the question of what, if any, preferential systems might be permitted.

My suggestion would be that it should consider this present Article in terms of its original intent, that is customs unions as they were understood by the London committee.

CHAIRMAN (Interpretation): The delegate for the United Kingdom.

MR. R.J. SHACKLE (United Kingdom): Mr. Chairman, I would like to say a word in support of the suggestion by the United States delegate. It has always seemed to me to be very arguable whether paragraph 4 of Article 38 was really in its right place here at all. I think that the proposition that it be considered in Chapter IV may result in its being transferred elsewhere in the Charter. I should have thought it a very desirable arrangement that we should leave the remainder of Article 38, as it affects customs unions proper.

CHAIRMAN (Interpretation): We are faced with various proposals which are somewhat contradictory. I believe that in Article 38 there are two sets of different things - first of all, the question of customs unions, and secondly the question of preferential arrangements, and in looking at the text of Article 38

one may wonder whether paragraph 4 is in its right place in that article. But I think it is difficult, on the other hand, to deal in substance with the question of customs unions without discussing in some way and at some time the question of preferential arrangements. I will take to illustrate this the example that the Chilean delegate used, that is to say, one might envisage the conclusion of a customs union step by step. It is not necessary to eliminate at the beginning the whole of the customs duties between two or several countries, but it is possible that during the transitional period it will be necessary to conclude some sort of preferential arrangements.

At the same time it seems to me it would be difficult to postpone the discussion of Article 38 until such time as we know the result of the Report of the Sub-Committee on Article 14; but it is difficult to separate the question of Customs Union from the question of preferential arrangements, and I wonder whether the best method would not be to refer Article 38 for examination to the Sub-Committee which is dealing with Article 14, which could in turn make some proposal to us on Article 38 as well.

CHAIRMAN: The Delegate of the Lebanon.

Mr. MOUSSA MOBARAK (Lebanon) (Interpretation): When our Amendment was discussed together with the Amendments by the Chilean Delegation in the Sub-Committee which has dealt with Article 14 of the Draft Charter, a very important discussion took place which lasted for three days, and some Delegates taking part in this debate told us that care would be taken of our problem and that we would find a proper solution to our difficulties when we came to consider Article 38.

Now that this Committee is called upon to consider Article 38 we find Article 14 is still being considered by the Sub-Committee. Consequently I approve whole-heartedly the suggestion of the French Delegate to refer this Article to the Sub-Committee which is dealing with Article 14. It would appease those who want to introduce the idea of preferential arrangements in Article 14 to see the two problems discussed together, and whether it is by virtue of an Amendment in Article 14 or an adjustment of Article 38 that our problem is covered, we would be appeased and satisfied.

CHAIRMAN (Interpretation): The Chairman points out that his

suggestion was to refer Article 38 to the Sub-Committee which is already dealing with Article 14 for joint consideration by that Sub-Committee of both Articles.

I would be all the more inclined to refer Article 38 to the Sub-Committee dealing with Article 14, as this Sub-Committee has an excellent reputation, and more particularly a remarkable Chairman.

The Delegate of Chile.

Mr. GARCIA OLDINI (Chile) (Interpretation): Mr. Chairman, I wish to raise a small point, but one which may be important.

Since the Amendments to Article 13 have a bearing on the question of preferential arrangements, the Sub-Committee dealing with Chapter IV has devoted a large part of its time to this complicated question of preferential tariffs, and I think, therefore, that Article 38 should be referred also to that Sub-Committee on Chapter IV. This Sub-Committee has vast experience of the question, it has dealt with it in great detail, and I think it could find a solution of this Article too. Therefore, I suggest Article 38 be referred not to the Sub-Committee on Article 14, but to the Sub-Committee on Chapter IV.

I would like to add that this Sub-Committee on Chapter IV is equally admirably presided over by the Delegate for Australia.

CHAIRMAN (Interpretation): I would like to point out that Dr. Coombs himself dealt with the subject, and drew our attention to the fact that the Sub-Committee which will have to deal with Article 38 would have to inspire itself with the work already done on Chapter IV by the Sub-Committee on that Chapter; and since you have yourself pointed out that the two Sub-Committees

have the same Chairman, there will be a sort of personal union which will certainly facilitate the work. I think, therefore, we might without any danger refer this Article 38 to the Sub-Committee on Article 14 which in its turn will be informed of the work done in the Sub-Committee on Chapter IV.

CHAIRMAN: The Delegate of France.

Mr. BERADUC (France) (Interpretation): Without departing from my own point of view, Mr. Chairman, I wish to state that I agree with you, and consequently that the consultation on Article 38 should be referred to the Sub-Committee which considered Articles 13 and 14. It would, however, seem logical to refer this problem to the Sub-Committee dealing with Chapter IV.

CHAIRMAN (Interpretation) In both cases Mr. Coombs would be the victim. I would consequently want to ask him which of the two Sub-Committees should consider this Article.

Mr. COOMBS (Australia): The Committee on Chapter IV is concerned only with certain aspects of the problem of preferential arrangements. It has been argued there that new preferential arrangements are a possible means of promoting industrial development in certain circumstances, and the author is therefore concerned to ensure that adequate provision is made for such arrangements for that purpose but it is clear from what was said that new preferential arrangements may be justified by considerations other than industrial development. Indeed it may be more often for reasons other than for such reasons.

Consequently, when the work of Committee IV in relation to such arrangements is completed and they are satisfied that appropriate provision has been made for new preferential arrangements for purposes justified by industrial development considerations, it will still be necessary for an examination of the issue to see whether other aspects of the problem have been adequately considered.

^ At that phase of the consideration, it seems to me proper that the matter should be considered by the committee dealing with Article 14. Therefore, I suggest the proper thing is to refer this Article to the committee dealing with Article 14. There is no need to refer it to the other people--they are considering it already. The final consideration of Article 38 should properly be carried out by the people who are concerned with Article 14, since it is essentially an exception to Article 14.

CHAIRMAN: (Interpretation): May I take it that the Delegate of Chile does not object to this matter being referred to the sub-Committee competent to deal with Article 14?

M. F. GARCIA-OLDINI (Chile) (Interpretation): No objection, Mr. Chairman.

CHAIRMAN (Interpretation): In those circumstances, we shall refer Article 38 to the sub-Committee dealing with Article 14 and the following Articles. It might, however, be necessary to ask this sub-Committee to recruit new members, in view of a new question having arisen today.

M. DESCLEE (Belgium):(Interpretation): In connection with what you have just said, Mr. Chairman, it would be useful to add a representative of the French Delegation to the sub-Committee discussing Article 38 in conjunction with Article 14.

CHAIRMAN: (Interpretation): According to the procedure, it pertains to the sub-Committee itself to choose the member it wishes to add to its membership.

In these circumstances, we can adjourn the meeting until Thursday 19th June, when we shall study Articles 31, 32 and 33.

(The Meeting adjourned at 4.25 p.m.)