SECOND COMMITTEE: ECONOMIC DEVELOPMENT

SUMMARY RECORD OF THE NINTH MEETING

Held at the Capitol, Havana, Cuba, on Wednesday, 17 December 1947, at 10.30 a.m.

Chairman: Mr. ABELLO (Philippines).

REPORT OF SUB-COMMITTEE A ON ARTICLE 8 (document E/CONF.2/C.2/A/3)

Mr. SHACKLE (United Kingdom) explained that Article 8, as amended, had been adopted unanimously by the Sub-Committee. It was furthermore agreed that the phrase "is of concern to all countries" was to be understood in a completely general sense, i.e. that all countries had a collective concern in the development of resources of the world at large. It in no way implied a right of interference in the internal affairs or national policy of a member, either on the part of any other individual member or of members generally. The Argentine representative had accepted the report subject to the satisfactory translation into Spanish of the word "concern".

The report of the Sub-Committee was approved. It was agreed that the explanation of the meaning of the amendment would be inserted in the summary record and that special attention should be given to the translation of the word "concern" into Spanish.

ARTICLE 15

Mr. BRIGNOLI (Argentina) felt that all member states should be free to establish preferential arrangements, when necessary, without the prior approval of the Organization. The powers of ITO should be limited to the provisions of Article 69 and its decisions should take the form of recommendations. If too great powers were granted to the Organization, there would be a risk that national parliaments would not ratify the Charter, for a substantial part of national economic policy would have been transferred into the hands of ITO. From the practical point of view, such prior consultation would make for delay.

Mr. Brignoli also expressed approval of the Chilian amendment to Article 15.

Mr. GARCIA OLDINI (Chile) said that the suggestion of prior approval was unacceptable to him for reasons of justice and equity. Preferential arrangements had been established hitherto without any prior approval and it seemed
it seemed logical that new arrangements could be made in a similar manner. If preferences were to be eliminated, such a provision would have to apply to those already in existence. Preferential arrangements, however, had been established because of the necessity of assuring stability and economic development and countries would seek new preferences as a basis for their economic equilibrium and normal economic development. He was prepared to accept any form of words which would have the effect of preventing abuses, but insisted that the final decision concerning its economic policy should be left to the country itself.

Mr. HURTADO (Venezuela) drew attention to the fact that the question of preferential arrangements had been debated exhaustively in the Third Committee. For the same reasons as those put forward by the representative of Chile and because it would make for a more flexible procedure, he urged the acceptance of his amendment. It eliminated the idea of prior consultation with the Organization, which would not interfere in the arrangement unless a member state complained that its trade had been damaged.

Mr. GUERRERO (Ecuador) withdrew his amendment in favour of those proposed by the representatives of Argentina, Chile and Venezuela.

Mr. WILGROSS (Canada) wondered if the representatives of Argentina, Chile and Venezuela had fully realized the implications of their amendments. The establishment of new preferential arrangements was an exception to the provisions of the most-favoured-nation clause which had been designed to make for stability in international trade and to prevent discrimination. Existing preferences had been condemned as discriminatory and therefore none would quarrel with the fact that any new preferential arrangements, even in connection with economic development, also would be discriminatory.

Canada was greatly interested in the economic development of under-developed countries and wished to participate in that work. It had to be carried out, however, in co-operation with countries at all stages of economic development and if it was not to be promoted in an orderly manner, the main purpose of the Organization would have been defeated.

It was essential that ITO should take into consideration the effect which particular preferential arrangements might have on other countries. If preference proposals were contemplated which were both practical and justified, they would be viewed with sympathy by other countries; however, if they involved the injury of another country, that country would be able to explain its point of view and other arrangements would be worked out.

In connection with the remarks of the representative of Chile, Mr. Wilgress pointed out that most of the existing preferential arrangements had been established for historical reasons, as for example, the one to which
which Canada was a party which had been established in 1897. The provisions of Articles 16 and 17 demonstrated the length to which countries had gone in recognizing the need to modify existing preferences. He hoped that in the Sub-Committee the proposers of the amendments would be able to see the force of his arguments concerning the necessity for prior approval of any new preference arrangements.

Mr. HAKIM (Lebanon) agreed with the amendment submitted by the delegation of Venezuela, and said that the delegation of the Lebanon had supported the idea of regional preferences ever since the first session of the Preparatory Committee. The fact that it had not reserved its position regarding Article 15 did not mean that it was satisfied with that Article. Regional preferential agreements were justified as countries belonging to the same region had a special interest in trading with each other and mutually developing their resources. He did not see any strong economic justification for any other kind of preference.

The delegation of the Lebanon could not support the proposal that the ITO might grant, by an affirmative vote of two-thirds of the members voting, an exception to the provisions of Chapter IV. It should not be necessary for the ITO to give prior approval to regional preferential agreements. Countries belonging to the same economic region should have the right to establish preferences among themselves, and then the ITO could ascertain whether or not those preferences were harmful to the interests of international trade.

Mr. TORRES (Brazil) stated that one of the main purposes underlying the convening of the Conference was to eliminate existing preferences. He supported Article 15 as at present drafted. The delegation of Brazil was opposed in principle to new preferential systems, regarded with grave apprehension attempts at establishing such new systems, and regretted that it had to disagree with other Latin American countries in that respect. The establishment of new preferential systems was one of the most serious exceptions to the Charter and the prior approval of ITO should be obtained before any such arrangements were entered into. The present Conference was the most important of its kind in history and no attempt should be made to nullify its efficacy.

Mr. Torres considered that a date should be agreed upon for the termination of all existing preferential agreements.

Mr. HAIDER (Iraq) asked what were the special circumstances mentioned in paragraph 1 of Article 15 which would justify new preferential arrangements. What were the limitations to be imposed by the ITO when an application to conclude a preferential agreement was made? The Charter should give a clear answer...
answer to those questions, and he therefore suggested that Article 15 should contain a schedule similar to that in Article 16 which would reserve the right of certain groups of countries to institute preferences because of their special circumstances. The other alternative would be to specify broadly what those circumstances were, in order to safeguard the interests of those groups of countries whose situation really justified preferential agreements.

The meeting rose at 12.30 p.m.