THIRD COMMITTEE: COMMERCIAL POLICY

SUB-COMMITTEE G (SWISS PROPOSAL)

DRAFT REPORT OF SUB-COMMITTEE G TO COMMITTEE III

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

1. Sub-Committee G was appointed by Committee III on 5 January 1948 with the following terms of reference:

To consider the proposal of the Swiss Delegation (reference E/CONF.2/C.3/11) that the following new paragraph be inserted in Chapter IV:

"A Member, unable to invoke the provisions of Article 21 and finding that its economic stability, particularly in the fields of agriculture and employment, is being seriously impaired or gravely threatened, may take such steps as are necessary for safeguarding its vital interests".

2. The following delegations were appointed to the Sub-Committee: Belgium, China, France, Poland, Sweden, Switzerland, the United Kingdom, the United States of America, Uruguay and Venezuela. The Sub-Committee held nine meetings.

3. Proceeding from the draft amendment contained in its terms of reference, the Sub-Committee based its enquiries on the assumption that the Member concerned was not eligible to impose quantitative restrictions under Article 21 but was liable to suffer damage from restrictions imposed by other Members under that Article.

4. The Sub-Committee set itself to enquire whether any particular circumstances or combination of circumstances could justify special measures other than those already provided for in the Charter. A variety of circumstances was cited as deserving of special consideration.

5. The Sub-Committee agreed that while no single one of these circumstances would by itself justify special treatment, a combination of several of them might expose a country to considerable pressure on its domestic economy and employment, in particular a small country such as Switzerland in which a relatively high
relatively high proportion of workers were engaged in the production of luxury or inessential goods for export to larger countries which were themselves applying import restrictions bearing heavily on luxury products.

6. While considering that the Charter would result in a system which, once in universal and successful operation, would substantially reduce the need for elaborate economic defences and would provide safeguards appropriate to that system, the Sub-Committee agreed that the Charter does not include provisions which would fully meet the requirements of Switzerland laid before the Sub-Committee by the representative of Switzerland.

7. The Sub-Committee was, however, unable to recommend as a solution of the problem the amendment referred to it by Committee III (four delegates being against the amendment, three for it, two abstaining and one absent). Such an amendment would, in the view of the Sub-Committee, confer so extensive an exemption from the Charter obligations as to weaken the whole Charter structure.

8. The Sub-Committee regrets that it was not able to devise any alternative amendment which would meet the requirements of Switzerland without a similar weakening of the Charter.

CONCLUSION

9. It was the opinion of the Sub-Committee that the Swiss problem was of such individual a character that it was preferable that it should be considered more fully in connection with the provisions of the Charter which enable the Organization to provide specific release from individual obligations to the extent necessary to enable Members to deal with exception problems. Before specific proposals of this character could, however, be submitted, further and more detailed examination of the problem is called for.

10. The Sub-Committee recommends, therefore, that the Conference should direct the Interim Commission to study further the problems facing the Swiss economy with a view to submitting to the first Conference of the Organization a report as to the measures which could be taken in accordance with the procedures established in the Charter for dealing with the problem.

11. The Sub-Committee also examined the cases of Venezuela and Uruguay which were presented to it, and finds that neither of these countries has established any special problems connected with a transition from their present systems of trading to that contemplated by the Charter. Some of the real difficulties brought forward by these countries have been provided for in Articles 21, 23 and 24. Beyond this point, the issues raised involve matters now under active consideration in connection with Articles 13 and 14. The considerations put forward by Venezuela and Uruguay in this connection are
connection are not dissimilar from those being urged by a considerable number of other "underdeveloped" countries in connection with the economic development chapter of the Charter. This Sub-Committee felt it should not pursue this matter any further since to do so would be to duplicate the work of Committee II and its Sub-Committees.

-----