DISCUSSION OF ARTICLE 16 (Continued)

The CHAIRMAN stated the Revised Annotated Agenda for Chapter IV (E/CONF.2/C.3/6) would henceforth be the Committee's working paper. The representative of Cuba had submitted an amendment to Article 16, which appeared to come under Section E and should be discussed in that context. Mr. ALAMILLA (Cuba) had no objection, but reserved the right to raise the matter again under Article 16 if the discussion should not produce a satisfactory result.

To a question raised by the representative of Czechoslovakia, the CHAIRMAN stated that the Italian amendment to Article 16 would be referred to the joint sub-committee of Committees II and III; should Czechoslovakia not be represented on that sub-committee, it should request permission to present its views.

DISCUSSION OF ARTICLE 17

The discrepancy between the French and English text of Article 17 (1 (d)) noted by the representative of Venezuela would be referred to the Central Drafting Committee; in the meantime, the English wording should be used.

With regard to the substantive point raised by the representative of Venezuela, the CHAIRMAN thought it might be helpful to make a few remarks concerning the General Agreement on Tariffs and Trade: Part I contained the general most-favoured-nation clause (corresponding to Article 16 of the Draft Charter) and Article II referring to the tariff concessions. Part II contained those Articles common to both the Draft Charter and the General Agreement concerning quantitative restrictions, internal taxation and other measures to protect the tariff concessions. Part III makes provision for entry into force of the General Agreement, amendment, consultation, et cetera. Article XXIX defined the relationship of the General Agreement to the Charter, Articles XXXI to XXXIII for withdrawal, membership, and accession, respectively.
Document E/CONF.2/C.3/12 which classified the various proposals would be used in the discussion of Article 17.

Mr. SUETENS (Belgium) reserving the right to speak to the amendments in detail later, thought he might alleviate certain doubts concerning Article 17 evidenced by the number of amendments submitted thereto.

The General Agreement had been signed by a group of countries representative of all types of economies. The concessions granted had been approved by all the signatories which included developed as well as under-developed countries. The Agreement had altered the shapes of many tariff structures which was an important and unprecedented achievement. The General Agreement appeared to take account of most of the points in the amendments submitted.

The amendments could be divided into three groups: those desiring to secure development, those designed to protect the source of fiscal revenue, and those aiming at recognition of the right to adjust tariffs in the case of currency depreciation.

The present Draft Charter and the procedures and practice leading to the General Agreement should cover the questions raised by those three types of amendments. However, the text might be further clarified by certain re-drafting if that were thought necessary.

Mr. SAHLIN (Sweden) thought Article 17 was just and wise. The provisions in paragraph 1 (b) under which the binding of low tariffs was recognized as equivalent to the substantial reduction of high tariffs met the case of Sweden which had generally not raised tariffs since the first World War. The incidence of these tariffs had further been reduced by the rise in prices. He was in full agreement with the interpretation as given by the delegate of Australia of the negotiations procedure.

Mr. LLERAS (Colombia) took exception to the attitude that these amendments might be superfluous. Would a country be free not to negotiate certain items it considered essential in view of the obligation of making "substantial reductions"? Would the Committee recognize formally that each country was free to abstain from negotiating substantial reductions of tariffs on certain items in which they had an interest? If this were unanimously agreed upon, it would be an important step to understanding, and would facilitate future discussions. Even then, however, the phrase "substantial reductions" needed clarification. The problem was how practically to link the freedom to refrain from negotiations with the obligation to make substantial reductions. That was to be judged by the Tariff Committee, which might decide a country had not fulfilled its obligations under the Charter in that respect. Would not the right not to negotiate on certain items conflict with the obligation to negotiate for substantial reductions?
The Draft Charter was not so perfectly worded that it could not be re-drafted to express clearly that countries have the right to protect their industries by reasonable tariffs.

The CHAIRMAN stated that negotiations under Article 17 were on a selective basis; a country may state it is not willing to grant concessions on a particular product. That, of course, would affect the negotiations with other countries: the more products a country refused to negotiate, the fewer concessions it would secure from the others.

Mr. STUCKI (Switzerland) stated that the incidence of the Swiss tariff protection of 16 per cent in 1921 had today fallen to 8 per cent, and agreed with the representative of Sweden that Article 17 provided wisely that binding of low tariffs was equivalent to a reduction of high tariffs. The spirit motivating the negotiations at Geneva was conducive to accepting the provisions of Article 17.

However, tariffs were not the major obstacles: these were quotas and exchange restrictions. Article 17 contained the obligation to eliminate preferences. Many speakers in Committee III had stated that the Conference and the Draft Charter were in favour of preferences: this was disproved by Article 17.

Mr. SAENZ (Mexico) stated that Article 17 should expressly include safeguards for small nations which were demanded by many of the amendments; if they were implicit in the text, there was no reason why they should not be stated expressly. The grave defect of Articles 1 and 17 was their emphasis on the reduction of tariffs as an objective in itself, whereas it was only a means to an end. Article 17 should be modified so as to recognize the right of countries to protect their development and to approach the reduction of tariffs only as a means to expanding world trade and raising the standard of living. The immediate reduction of tariffs could lead to a short expansion of world trade but would destroy the purchasing power of small countries.

Mr. COKLU (Turkey) found nothing in Article 17 contrary to the needs and requirements of the Turkish economy although this was in the first stage of development. The drafting and spirit of that Article gave full satisfaction to the wishes expressed in the various amendments; even though minor drafting changes were conceivable, a greater understanding of the present drafting should lead to its acceptance.

Mr. BRIGNOLI (Argentina) supported the remarks of the representative of Cuba that each country had a right to refuse to negotiate on items in which it had a particular interest.

/Mr. GONZALEZ (Uruguay)
Mr. GONZALEZ (Uruguay), referring to the amendment submitted by his delegation, said that Article 17 should be so drafted as to leave to Members of the Organization the option of initiating negotiations.

Mr. CHAVEZ (Peru) fully supported the amendments to Article 17 proposed by various delegations as the present wording of that Article was far from clear.

Referring to the remarks of the representative of Switzerland, he considered that negotiations referring to tariff reductions and those referring to elimination of preferences should be treated separately.

Mr. AROSEMENA (Vice-President, speaking as the representative of Ecuador), supported the remarks of the representative of Colombia. Thirty-six countries had made reservations regarding preferential systems, and it could truthfully be said that the Committee, by a large majority, agreed with those reservations. Article 17 should be drafted in clear and precise terms in order that it might not be wrongly interpreted at a future date.

Mr. CASTILLA (El Salvador) agreed with the opinions expressed by the representatives of Colombia, Uruguay and Mexico. Paragraph 1 of Article 17 as at present drafted placed an obligation upon members of WTO to enter into negotiations at the request of the Organization. Should that obligation not be carried out, steps might be taken by the Organization which would, in fact, amount to sanctions. His delegation, therefore, had submitted an amendment which would protect the smaller countries.

Referring to the remarks of the representative of Switzerland regarding preferences, Mr. Castilla stressed that in the Central American countries preferences were an absolute necessity.

Mr. ROYER (France) agreed with those representatives who had pointed out that the text of the Charter was not perfect, and considered that certain questions would have to be clarified.

Referring to the remarks of the representative of Uruguay, he said that a certain number of States had already carried out tariff negotiations which would enter into force provisionally, and which applied to countries playing an important part in international trade.

The Preparatory Committee in Geneva had felt it imperative that tariff negotiations should be centralized, and the Geneva text provided that at the end of those negotiations a committee representing all the members taking part in the negotiations would examine the Agreement. At that time it would be possible to arbitrate and settle decisions regarding certain countries, those of Central America for instance. An attempt had been made to lay down such a procedure in paragraph 2 of Article 17.

Referring to the remarks of the representative of Switzerland, Mr. Royer said that the Preparatory Committee fully understood that the reduction of customs tariffs would not immediately increase the volume of international trade.
trade as there were other barriers which restricted that trade.

The Draft Charter left an important point not clarified - if new preferences were approved by the Organization would they, or would they not, be subject to elimination through negotiation? Mr. Royer considered, and he felt the representative of Argentina would support him, that it was indispensable to uphold the rule that they would be subject to such elimination.

Referring to the General Agreement, he pointed out that it would not prevent a country from revaluing its specific duties in the case of monetary deflation. It would therefore not serve any purpose to insert such a provision in the Charter.

Mr. DUNAWAY (Liberia) agreed with the remarks made at a previous meeting by the representatives of Australia, the United Kingdom and the United States of America. No other feature of the Charter would contribute so much to the betterment of world economy as would the reduction of tariffs and the elimination of preferences, etc. The General Agreement was the most concrete constructive step yet taken to improve world economy.

Liberia had no preference system and her products were admitted free of duty by consuming countries; her import duties were for revenue only. He agreed with the principle of Article 17, but the provision on preferences was not strong enough.

Mr. GONZALEZ (Uruguay) said that his delegation could not agree that power should be given to the ITO to oblige Member States to initiate negotiations and to carry them out. It therefore maintained the amendments which it had submitted.

Mr. SALÍZ (Mexico) felt that the representative of France had misinterpreted one of the proposals submitted by the Mexican delegation. The amendment proposed by that delegation did not suggest the elimination from the Charter of the principle of reciprocity and mutual advantage in tariff negotiations. The Mexican amendment also referred to the problem of the decrease in the purchasing power of national currency and that problem had not yet been provided for in the Charter.

2. PROGRAMME OF FUTURE MEETINGS

The CHAIRMAN said that the debate on Article 17 would be closed at the following meeting. The various proposals would then be referred to the sub-committee together with proposals regarding Article 16 which had not been referred to the joint sub-committee of the Committees II and III.

Committee III would be divided into two parts: Part A would deal with Articles 16, 17, 18 and 19 and 32 to 43; Part B would deal with Articles 20 to 31 inclusive. That would enable the Third Committee to take up the complicated questions of quantitative restrictions and balance of payments.
at an earlier date. The Committee would meet as Committee A on Friday afternoon and as Committee B on Saturday afternoon.

Mr. STUCKI (Switzerland) withdrew the reservation he had made at a previous meeting, and supported the Chairman's proposal.

Mr. GONZALEZ (Uruguay) also supported the Chairman's proposal.

The CHAIRMAN, replying to a question put by the representative of Argentina, said that Committees A and B would not meet at the same time, although he could not make any definite promise to that effect. The General Committee would decide that matter.

Mr. d'ASCOLI (Venezuela) supported the Chairman's proposal. It might, however, be necessary for his delegation to ask for instructions from its Government on some questions, and with the new plan of work certain Articles might be dealt with before those instructions arrived. The delegation of Venezuela would, therefore, have to take a provisional attitude in some of the discussions.

Mr. CASTILLA (El Salvador) pointed out that his delegation consisted of two representatives. It would therefore be difficult for El Salvador to follow meetings if Committees A and B met at the same time. He could not support the Chairman's proposal.

Mr. MELANDER (Norway) supported the Chairman's proposal.

The CHAIRMAN felt that there was general agreement with the procedure he had suggested. There were 290 items on the agenda for Chapter IV, and a greater number of Committee meetings would have to be held if the work was to be finished in time.

The meeting rose at 1.10 p.m.