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

VERBATIM REPORT

TENTH MEETING OF COMMISSION B
HELD ON MONDAY, 16 JUNE 1947, AT 2.45 P.M.
IN THE PALAIS DES NATIONS, GENEVA

The Hon. L.D. WILGRESS (Chairman) (Canada)

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CHAIRMAN: We will now open the Meeting of Commission B, to consider Article 30 of the Draft Charter.

Commission B will consider Article 30 on the lines of the same procedure that we have adopted in the case of Chapters VI and VII; that is, we will have a preliminary reading of the Article and any points which may arise will be referred to a Sub-committee for further study. The same will apply to purely drafting amendments.

At the same time we wish to have a very full discussion within the limits of the time available to the Commission, so that the Sub-committee may have sufficient guidance from the Commission to assist them in their work.

The Steering Committee have allotted only two days to the consideration of Article 30, but, as there are not very many amendments, I believe this time should be ample for the purpose we have in view.

We shall take as a working paper Document E/PC/T/W/190, prepared by the Secretariat for the discussion of Article 30, and this will serve as our annotated Agenda for the discussion in Commission B.

On the first page of Document W.190, under the heading of General Comments, a reference is made to the Report of the Sub-committee on Chapter III.

In Paragraph 28 of Document T. 95, Page 6, giving the Report of the Sub-committee on Chapter III, reference is made to Article 8, formerly Article 7 of the Draft Charter. This Article now reads as follows: "The Organization shall have regard, in the exercise of its functions as defined elsewhere in this Charter, to the need of Members to take action
within the provisions of this Charter to safeguard their economies against deflationary pressure in the event of a serious or abrupt decline in the effective demand of other countries."

The Sub-committee on Chapter III took note of the intention of the Preparatory Committee to ensure that there be adequate safeguards in the Charter to meet the situations referred to in Article 8. They also recommended that the various Articles of the Charter be re-examined to ensure that the drafting adequately meets the requirements of Article 8.

Unless there are any comments, I propose that the requirements of Article 8 be taken into account by the Sub-committee when it is considering Article 30.

The Delegate of New Zealand.

Mr. G.D.L. WHITE (New Zealand): Mr. Chairman, if I might make a small statement in this respect, our attention has been drawn by the Sub-committee to the fact that in the event of a serious or abrupt decline in demand, a country may need to safeguard its economy, and that the Organization, in exercising its functions under Article 30, shall have regard to this need.

We have had a look to see just what the functions of the Organization are in Article 30 and we find that they are this sort of function: in Paragraph 1 of Article 30 the Organization is to determine whether serious prejudice to some Member's interests is caused or threatened by some other Member's subsidies, and it has another function, to discuss with a Member the possibility of limiting the subsidisation concerned.

Paragraph 2 of Article 30 says the Organization is to determine whether an extension of an export subsidy may be
allowed; and in Paragraph 3 the Organization has a function to
determine whether a stabilisation scheme involves an export
subsidy.

In Paragraph 4 the Organization is to determine whether a
special difficulty is one which should be dealt with under
Chapter VII and, in the event that the procedures under
Chapter VII fail, the Organization may determine a suspension
of Paragraph 2 of Article 30.

The only other function of the Organization is mentioned in
Paragraph 5; that is, to enter into certain consultations about
the choice of a base period regarding the effect upon trade of an
export subsidy.

When we try to envisage how the Organization might exercise
these functions in a manner helpful to a country which is
suffering from deflationary pressure, we find that the duty
of the Organization could only be to be somewhat more lenient
in its determinations or in its attitude during consultations;
that is, the Organization could perhaps put less obstacles in the
way of a country which wished to use subsidies or to increase
subsidies.

Since the Organization has a considerable measure of
discretion in making those determinations and consultations in
the present draft of Article 30, we are not of the opinion that
any major re-drafting will be required to enable the
Organization to carry out its functions under Article 7, or
Article 8 as it is now.
This leads me on to make a further point of a more general nature regarding Article 30, namely that a member's right to use subsidies and even to use export subsidies is only to a very small degree limited by this Article. Article 30 in fact gives substantial latitude to countries which are in a position to use this particular method of influencing their economic activity and their external trade. The point I am making is perhaps one that should be made in the discussions of Commission A because Article 30 shows rather a striking contrast to the provisions of many other Articles in Chapter V which relate the rights of members to use various methods of departing to one extent or other from liberal trade principles. And we find that whereas other methods are very severely circumscribed, subsidies are merely to be notified to the organisation and made subject to consultation upon request.

This point is so obvious that I do not wish to elaborate it any further. I merely wish, on behalf of the New Zealand delegation, to call attention to this point in Commission B during our consideration of the Article on subsidies so that we bear in mind in this Commission that we are dealing with an article which is of a very different nature from other articles in Chapter V. The New Zealand delegation, for its part, will be very conscious of the nature of this article when determining its attitude to other articles of Chapter V.
CHAIRMAN: Are there any other comments on this subject?

Mr. Royer (France) (Interpretation): Mr. Chairman, I would like to mention first that it is on the French initiative that the sub-committee mentioned the text which you have just read, and the mention which was included in that report referring us to Article 7, that is now Article 8.

In fact, we think that the drafting of Article 7 was not sufficient to cover the case and that the procedure we now have, or which we had, was too slow if we were confronted with difficulties and with a sudden crisis.

When that was mentioned, Mr. Helmore, the United Kingdom delegate, with a conjurer's ability, mentioned very quickly a certain number of Articles, including Article 30. The sub-committee took up these articles including Article 30. In fact, the French delegation is not particularly interested in Article 30, but the point is that the procedure which we need in the case of a sudden crisis must be a quick and fast procedure to solve the difficulties which will face us. Therefore, I think that the sub-committee must study with particular care sub-paragraphs (a) and (b) of paragraph 4, because the procedure which we now have in Article 7 is only a slow and rather cumbersome procedure, which would not be able, in most cases, to get us out of our difficulties.

Therefore, I think that to solve the difficulties of procedure, with raw materials in particular in the case of abrupt crisis, the sub-committee should study a fast procedure to solve these possible difficulties.

CHAIRMAN: Are there any other comments? If there are no other comments, I then propose that the recommendations of the
sub-committee on Chapter III be taken into account by the sub-committee, and that they should give consideration to the relationship between Article 30 and the former Article 7, now Article 8, of the draft Charter. They should also take into account the views which have been expressed by the delegates of New Zealand and France in today's discussion.

Agreed.

The next item on the agenda is the proposal of the United States delegation with regard to Article 15. The delegation have suggested an additional paragraph, reading as follows:

"Moreover, the provisions of this Article shall not apply to governmental purchases in carrying out any form of subsidy permitted under Article 30".

This proposed addition to Article 15 is now the subject of study by a sub-committee appointed by Commission A to consider Articles 14, 15 and 24, and therefore, unless the United States delegate wishes to make some comment, I propose that we leave this matter over for the present. Are there any comments? Then we leave this in abeyance for the time being.

The next item on the Agenda is the proposal relating to paragraph 1. The delegate of China has suggested the deletion of this paragraph.

The delegate of China.
Mr. CHANG (China): While the Chinese Delegation is not opposed to the elimination of export subsidies in general, it is, however, opposed to any agreement that will hamper the development of a Member's foreign trade. Particularly if that Member is still relatively under-developed.

Here as well as elsewhere it should be remembered that the and expansion of world trade - not the maintenance of status quo - is one of the main objectives of this Charter. No expansion of trade is possible without increase of exports. In the case of under-developed countries a subsidy on the production of a certain commodity may sometimes prove necessary in order to increase the production and export of that commodity.

Here we think it is only fair that the under-developed countries should not be hampered; if they decide to take such measures as a production subsidy for the purpose of increasing their exports, they should not be required to notify the Organisation in writing as to the extent and nature of the subsidisation. In the course of industrial and general economic development of a Member the reduction of certain imports may also prove necessary and desirable. In a case in which it is determined that serious prejudice to the interest of any other Member is caused by any such subsidisation the situation is already provided for by Article 52, which covers both primary and non-primary commodities.

In a word, this paragraph emphasises the maintenance of the status quo in the matter of exports and imports. It runs contrary to the main objective of the Charter, which is the expansion of world trade; and moreover, the paragraph will be harmful to the less developed countries in their efforts to develop their production and export trade.

The Chinese Delegation therefore proposes the deletion of th
CHAIRMAN: Any comments?

The Delegate of the Netherlands.

Mr. DE VRIES (Netherlands): Mr. Chairman, as has been pointed out a few minutes ago by the Delegate of New Zealand, this whole paragraph is much in favour of some types of subsidies, and the Netherlands Delegation thinks that this especially applies to paragraph 1 of this article, which only asks that the Member will notify the Organisation to the extent and nature of the subsidies; and only in some cases to discourage the Member or Members concerned.

This is even less than has been asked for tariffs. They also must be notified, and also, there, Members will discuss with other Members about the elimination or lowering of tariffs. It is only if it is determined that serious prejudice is caused or threatened. This qualification is not asked for the tariff — and what we call the producers' subsidy is even more easy than a tariff — and therefore the Netherlands Delegation feels that this paragraph is much in favour of those countries which are vast and rich and can afford from their Treasury to give money to producers. Small and under-developed countries and countries which rely on only a few products for their economy mostly cannot use this way of price-support, or help to produce. They must find other ways and means to do that.

Thinking of this, Mr. Chairman, I am rather astonished about our Chinese friend, that he thinks that this gives prejudice against Members who have the means to pay out of the Treasury for price-support. I think that if a country like China wants to use this paragraph of the Article, it is much more open for them to do that than by leaving a higher import duty on such and such an
Article. That would be much more difficult, and I cannot see any other measure in this Charter which would be as easy as this means.

In the London Session the Netherlands Delegation, both on behalf of what we call the "development" part of Europe and the "under-development" in Asia and South America, has put some objections against this favour to rich nations; but we accepted that.

But to delete it would mean that such rich countries would get even much more possibilities to do that, without any possibility for the Organisation or Members which are seriously hampered by this means; and therefore, just thinking of the poorer and smaller and under-developed countries, we strongly advise not to delete it.
CHAIRMAN: Any other comments? The Delegate of Belgium.

M. DESCLEE (Belgium) (Interpretation): Having listened to the very interesting remarks made by the Netherlands and New Zealand Delegates on the one hand, and by the Chinese representative on the other hand, I have come to think that, in the first place, it is obvious that in some quarters import subsidies are considered to be a means of protection, and that in this sense they are more or less identical with the protective measures of a more direct character mentioned in other Articles of Chapter V. Secondly, there are also export subsidies, the effect of which is not directly to close the home market, but to stimulate production beyond the normal market, that is to say, beyond the limit at which the cost of production and transfer reaches the normal price. In fact, subsidies can be considered as being indirect operations likely to alter the price and the varied conditions of the international market. Therefore, we are of the opinion that the sub-Committee should take into account the fundamental purposes of the Charter and avoid leaving a door open to manoeuvres likely to jeopardise the basis of international trade.

CHAIRMAN: Any other comments? The Delegate of Norway.

H.E.M. Erik COLBAN (Norway): Mr. Chairman, I would not like paragraph 1 to be sent on to the sub-Committee without having said that the Norwegian Delegation supports that paragraph. As so very few Delegates have spoken, the sub-Committee might get the impression that we were indifferent to it.

CHAIRMAN: The Delegate of Canada.

Mr. A.E. RICHARDS (Canada): I might say, for Canada, that we support the retention of this paragraph in Article 30.
CHAIRMAN: The Delegate of South Africa.

Mr. S.J. de SWARDT (South Africa): Mr. Chairman, I also want to make it clear that we support this paragraph 1.

CHAIRMAN: The Delegate of Cuba.

Mr. F.L. FRESQUET (Cuba): Mr. Chairman, after the opinions expressed by the Delegates of Norway, South Africa and Canada, we want to say that we also favour the New York text.

CHAIRMAN: The Delegate of France.
M. LECUYER (France) (Interpretation): Mr. Chairman, the French delegation is also in favour of the maintenance of paragraph 1, but I should like to take this opportunity for drawing the attention of this Commission to another question to which the attention of the Sub-Committee might also be drawn at a later stage. I refer to a particular form of export prices which does not seem to come under the scope of paragraph 1 of Article 30. For certain countries which resort to it in order to compensate for certain producers the disadvantage results from the particular conditions prevailing as regards the production of given articles, the question of prices cannot be considered as a subsidy, but in some cases it can very much look like a subsidy because it makes it possible for the producers to produce a given article, and thereby to reduce to a certain extent the import of that article into the country, and in certain cases it has some disadvantages. Therefore the question should be examined in connection with the discussion of Article 30. The French delegation is of the opinion that this problem does not come within the purport of Article 30, but we raise the question now because it would be a good thing for other delegations to examine it too, and give their opinion.

Mr. R.L. FRESNINIET (Cuba): Mr. Chairman, when we faced the draft of this Article in London, the emphasis in the text was only on export subsidies. We raised a question that, in order to cover the object of the Article, we should put on the same footing the so-called domestic subsidies that produce, as a consequence, the reduction of the imports of any products into that country. We were not interested in the export subsidies because we shared the opinion that for small countries there were small possibilities of finance, and it is very difficult to adhere to this method of promoting production. When we raised the second question, we were not considering the
domestic situation of our country but the results of the application of such measures in other countries where we export our products. I think that the same damage can be made to trade through the application of export subsidies, which is an artificial way to carry on trade of certain commodities that are subsidised and it can operate also using the so-called domestic subsidies, that is giving the opportunity to domestic producers to indulge in the production of a certain commodity that is not fit to be produced in a country. When increasing the domestic production it hampers the opportunity of the small countries of exporting the commodity to that particular country. I think that the question raised by the delegate of France is already solved in paragraph 1 of the Article, if balancing the two ways of the subsidies, and the phrase that comprises the idea is: "... or to reduce imports of any product into, its territory...." will be deleted from paragraph 1, then again the emphasis will be put on export subsidies leaving this case without any solution at all.

Mr. G.D.L. WHITE (New Zealand): Mr. Chairman, we also are unable to support the Chinese proposal to delete this particular paragraph, but in view of my remarks at the opening of this Session, I am sure the Chinese delegation will not interpret the support for the retention of the Article as in any way meaning that this Article would hinder a country from using subsidies to develop its industry in the way that the Chinese delegate mentioned. In fact, we ourselves think that this Article would allow plenty of scope for the use of that particular method, subject to consultation and notification.
CHAIRMAN: The Delegate of the United Kingdom.

Mr. R.J. SHACKLE (United Kingdom): I would simply say, Mr. Chairman, that the United Kingdom is in favour of the retention of Paragraph 1.

CHAIRMAN: I think we have now had enough expressions of opinion for the guidance of the Sub-committee. The Chinese Delegate will probably have observed that there seems to be a lot of support for the retention of this paragraph. I think his proposal will be useful for the Sub-committee, to enable them to give consideration to Paragraph 1, taking into account the remarks which have been made in the Commission.

That being agreed, we will now pass to Paragraph 2. I would first like to call the attention of the Commission to two reservations which were recorded at the First Session of the Preparatory Committee. At the First Session the Delegate of China made a reservation with a view to modifying Paragraph 2, so that subsidies to promote exports of special products would be permitted in certain countries until they had attained equilibrium in their balance of payments. The Chinese Delegate in the Committee expressed his willingness to withdraw the reservation if satisfied that the subsidies in question were permissible under other provisions of the Charter. I would like to ask the Chinese Delegate if he is now in a position to withdraw that reservation.

Dr. T.T. CHUNG (China): Yes, the Chinese Delegation is now in a position to withdraw that reservation.
CHAIRMAN: I thank the Delegate of China.

At the Drafting Committee in New York, the Delegate of Chile wished to have it recorded that in his view Paragraph 2 should not be interpreted so as to prevent countries for removed from world markets selling their products at current world market prices, even though those may be lower than the prices charged in the domestic market, such action not being the result of a direct or indirect subsidy or to the establishment of any other system.

I should like to ask the Delegate of Chile if he is now satisfied that that point has been covered.

Mr. F. Garcia OLDINI (Chile) (Interpreted): It appears at first sight that this paragraph should not be inserted in the text. In fact, when it is said, in Paragraph 2: "... or establish or maintain any other system, which results in the sale of such product for export at a price lower than the comparable price charged for the like product to buyers in the domestic market," this sentence could be interpreted as covering the situation to which we are pointing.

Let me take a specific example, that of Magellan wool in our country. This particular kind of wool has a special market outside Chile. Its price is established in conformity with the conditions of the market. Now, within the country, owing to conditions of distance and transport, this wool is sold at the same price as other wools sold in the home market and therefore there are two prices, one on the home market and one for export. This price results from commercial conditions and not from any subsidies or protective measures.

If we say that it is necessary to safeguard this situation, it is for the reasons which we have already outlined, and therefore we insist that the position should be clarified, either by adding the sentence which we have suggested, or some similar sentence, or by adding a footnote.
Mr. R.J. SHACKLE (United Kingdom): Mr. Chairman, if I have understood the point rightly, this is a case of something which simply happens in the ordinary course of trade. If I have understood the feeling of the meeting correctly that seems to be the position. If that is really so, I should not have thought that paragraph 2 had any effect on it at all. Because it appears to me that this paragraph refers entirely to action taken by governments either in the form of direct export subsidy or some other form of governmental action which has the same effect. I do not understand there is such a system in operation in the case the Chilean delegate mentioned and should therefore have thought that this paragraph refers, as the other paragraphs in the Charter refer, to the action of Governments, and that there was really no risk of conflict at all.

M. ERIK COLBAN (Norway): I entirely agree with the United Kingdom delegate. This paragraph refers to subsidies and if there is no subsidy then it falls outside the paragraph, and I cannot think there is any reason that the Chilean Delegation will see Chile's interests put in question.

CHAIRMAN: Is the delegate of Chile satisfied with the explanations that have been given by the United Kingdom and the Norwegian delegates?

M. F.GARCIA OLDINI (Chile) (Interpretation): Mr. Chairman, if it is clearly established in the record that according to the interpretation given by this Commission our case is covered by paragraph 2, not only because it refers to subsidies but because there is no possibility of any ambiguity in this connection, I agree. But it must be quite clear that this is the interpretation given by the Commission.
CHAIRMAN: The delegate of the Netherlands.

Dr. E. de VRIES (Netherlands): Mr. Chairman, I am glad that the Chilean delegate withdraws his objection to this point because I think if we should be obliged to find every small point of loophole or other possibility in this Charter, we should never come to an end. Take, for instance, a country like Indonesia, the Indonesian Islands. You might say they are not one domestic market, but 20, or 50, or 100, which have only a very small connection one with another; but that, in regard to that, we never thought because there are so many different price levels in that undeveloped market and long distances from one island to another island, we ought to apply this Article to that. But I think we ought to use the term "domestic market" in a way of good faith of one country to another and not trying to find any possible thing which can be used against other nations.

CHAIRMAN: I would propose that the point which has been raised by the delegate of Chile should be considered by the Sub-Committee to see if it may not be possible to find some way in which the point could be covered either in the Report of the Preparatory Commission or in some other way. Is that agreed?

The next point on our agenda is a proposal of the Chinese delegation to delete the words "directly or indirectly" at the beginning of sub-paragraph (a).

Could I call upon the Chinese delegate to comment upon this proposal?

Dr. T.T. CHANG (China): Mr. Chairman, the Chinese proposal is only a small drafting point. We think that the sentence which reads "No member shall grant any subsidy on the exportation of any product....." is quite sufficient without the three words "directly or indirectly." Thank you.
CHAIRMAN: Although the Chinese delegate mentions that this is a question of drafting, the deletion of these words might have implications beyond that of mere drafting, and therefore I would like to hear some other members of the Commission express their views on this proposal.

The delegate of New Zealand.

Mr. G.D.L. WHITE (New Zealand): Mr. Chairman, we would be opposed to the deletion of these words. In our view it is not merely a drafting change because, without going into the matter in any great detail, I think we all know that a subsidy on one product can have a very substantial effect upon the conditions and terms of sale of another product. And we consider that, if the words were deleted, it would very much limit the application of paragraph 2 (a). And we think that unless both "direct and indirect" subsidies are included the content of the paragraph is very substantially weakened, and we would not agree to that.

CHAIRMAN: The delegate of the United States.
MR. R.B. SCHVENGER (United States): Mr. Chairman, we agree with the view expressed by the delegate of New Zealand. I might say that the problem arises as a drafting matter, it seems to me, because of the rather direct force that might otherwise be given to the word "grant". The subsidy might be considered as not having been granted if it evolves after a purchase and sale operation, for example, indulged in by governments. It is to avoid this possibility of the word "grant" being interpreted to not apply in such a case that the words are there, and I believe they have a certain defining quality that we must keep, even though it is possible that they might be interpreted there in any case.

CHAIRMAN: The delegate of Belgium.

M. DESCLEE (Belgium) (Interpretation): Mr. Chairman, I support the New Zealand viewpoint, which confirms the point of view which I expressed a little while ago, namely that such subsidies sometimes are so diluted that it is not possible to determine exactly who their author is.

CHAIRMAN: On hearing these explanations of the reasons why these words should be retained, does the Chinese delegation still wish to retain their amendment?

DR. T.T. CHANG (China): We do not feel very strongly on this point.

CHAIRMAN: I take it that you will not persist in your amendment?

DR. T.T. CHANG (China): No.
CHAIRMAN: Thank you very much.

The third point on the agenda is the proposal of the United States delegation to insert in sub-paragraph (a) at the beginning of the second part of the sentence, the word "sub-paragraph" between the words "Provided that this" and "shall not prevent". It will now read "Provided that this sub-paragraph shall not prevent".

This seems to me essentially a drafting change inserted for the sake of clarity, but perhaps we might be able to agree on this change in Commission without the necessity of referring it to the drafting committee.

The delegate of Czechoslovakia.

M. S. MINOVSKY (Czechoslovakia) (Interpreted): Mr. Chairman, in connection with this amendment, my delegation is of the opinion that an important question arises in connection with sub-paragraph (a) which should be clarified.

The first part of paragraph (a) states what is prohibited, and the second part states three different kinds of action that are permitted, namely, "exempting exported products from duties or taxes imposed in respect of like products when consumed domestically, from remitting such duties or taxes which have accrued, or from using the proceeds of such duties or taxes to make payments to domestic producers".

Now, in the London report, on page 52, paragraph (2), line 14, we find "The use of the proceeds of such duties or taxes to make payments to domestic producers would be considered as a case under paragraph (1)". This means that such an action is connected with paragraph (1) and therefore the members should be informed, and, if they so desire, negotiations should be entered into with them.
Now we have always understood that the first two actions were in connection with paragraph 1, but the situation now appears to have changed and it seems that all the three cases are considered as being on the same footing. It can be supposed that either of the three actions which I have referred to have nothing to do with paragraph 1; that is to say, that if a Member carries out any of the three actions he is not under compulsion to inform the Organisation and to negotiate with other Members; or it is possible to hold a different opinion, namely, that all the three actions are in connection with paragraph 1, and that it is necessary to inform the Organisation. In order to illustrate this point, the Czechoslovak Delegation for its part considers it as being natural that the third action referred to is in connection with paragraph 1, and that the Organisation should be informed.

Mr. MINOVSKY (Czechoslovakia) (To the Interpreter): After the third action.

Mr. MINOVSKY (Czechoslovakia) (Interpretation continued): I do not know, Mr. Chairman, if I have been quite clear in my statement, but it is due to the fact that we do not know exactly what is the importance of the United States amendment in this connection. Do all the three actions escape the obligation laid down in paragraph 1, or is this the case with any single one of these three actions?

CH.IRMUL: The Delegate of the United States.

Mr. SCHWENGER (United States): Mr. Chairman, I believe that I understand the point, or at least what might be a valuable consideration behind the point that the Delegate from Czechoslovakia has made; but I believe it is apparent without altering the Draft. Perhaps I could explain.
It is clear that the first two of the three actions that are listed in the proviso could hardly injure the trade of another Member. The exemption of an export, or the remission (it is essentially the same thing) of such export would only...

Mr. SCHWENGGER (Beginning again): I find it difficult to conceive of cases where there would be any serious damage to the trade of another Member, whereas the use of the proceeds of such taxes to make payment might in some cases conceivably do substantial damage. It is not necessary that they should, but it is quite possible that they might, and from that point of view the first two cases are hardly apt to be causes of action under paragraph 1.

On the other hand - and I take it this was the reason the New York Drafting Committee made the exchange - paragraph 1 covers all of the subject matter of sub-paragraph (2). It covers cases during the transition period when export subsidies are permitted. It covers cases where that transition period may be extended in a particular case. It covers cases where the procedure of Chapter VII may have failed, and instead the subsidies may therefore come on in respect of the provisions of paragraph 2(a); and it covers matters that are exempt prohibition at the beginning of para. 2(a). It covers them to the extent that they must be open, they must be normal. It will only be a cause of action in cases where there is injury; especially from the point of view of drafting they are covered, but from the point of view of action it is extremely improbable that paragraph 1 will ever be used for the first two cases that are mentioned by the Delegate of Czechoslovakia.

Now our use does not change the text in meaning from that. It merely qualifies it.

Mr. SCHWENGGER (To the French Interpreter): "The use of the taxes to pay a subsidy."
CHAIRMAN: The Delegate of Czechoslovakia.

M. Stanislav MINOVSKY (Czechoslovakia) (Interpretation): After the statement just made by the United States Delegate, my Delegation cannot accept the idea that the first and second courses of action, which I have indicated, in sub-paragraph (a) should be the subject of international measures, even if these only consist of informing the Organisation, because the exemption of exported products from duties or taxes is such a natural thing that if it is necessary to inform the Organisation of this fact, I am not certain that Members will desire to enter into negotiations regarding those taxes, and therefore there remains nothing else but to refuse to negotiate.

In these circumstances, the Czechoslovak Delegation has the intention of submitting to the sub-Committee a proposal to re-introduce the sentence that appears in the London Text, which states quite clearly that only the third action is in connection with paragraph 1.

CHAIRMAN: The Delegate of France.

M. LECUYER (France) (Interpretation): Mr. Chairman, I share the opinion of the Delegate of Czechoslovakia that the present Draft, especially if it is compared with the London version, is ambiguous as far as the exemption of taxes and the reimbursement of internal taxes is concerned. It would seem that it would fall under Article 30 in this case: consequently, it is not possible to make it obligatory for a State which does not levy any such taxes to inform the Organization, as would appear from the present Draft.

Now let us take the third hypothesis: the case where taxes are levied. It is necessary to know then what the
subventions are used for. Are they used as subventions for production, or are they used as subventions for export? In the first case these subventions would fall under paragraph 1 and in the second case they would fall under paragraph 2, and, in our opinion, difference should be made and the case clearly stated. According to the London Draft, this kind of premium is considered as illicit. However, according to the present Draft this kind of premium is authorised. In our opinion, this must all be clarified and quite definitely outlined, and for this purpose be referred to a Drafting Committee.

CHAIRMAN: The Delegate of the United States.

Mr. R. B. SCHWENGER (United States): Mr. Chairman, I am afraid I may have introduced a little confusion my stating rather more forcefully than I meant one portion of my first remarks. These matters would fall under paragraph 1 only if they are subsidies, and I personally should have no objection to the Drafting Committee considering whether, in fact, they are subsidies.

CHAIRMAN: The Delegate of the Netherlands.

Dr. E. de VRIES (Netherlands): Mr. Chairman, on the whole we agree with the Czechoslovak and the French Delegation, but we do not see this text as dangerous, so I do not like to ask the Commission to give more attention to this, but there is a small drafting point I would like to mention. Here we have a case of external and internal prices, and the same thing applies more or less in Article 14 and Article 15. Now here we are using the words "duties or taxes", in Article 14 "duties and charges" and in Article 15 "taxes and charges", so the words "duties", "taxes" and "charges" are used in three places and three combinations are possible. I should therefore like to see the matter considered by a Drafting Committee. I do not see why it should be necessary to have such confusion in the text.
CHAIRMAN: Is that proposal approved? Agreed.

The delegation of India have proposed the substitution of one word in the sentence of sub-paragraph (b) of paragraph 2: "One year" instead of "three years".

Mr. B.N. ADAKAR (India): Mr. Chairman, in connection with this amendment which the Indian delegation has proposed, I would like to draw your attention to a passage in the Report of the London Conference. On page 16 of the Report, in paragraph 8, it states: "It was agreed that the question of shortening this period should be taken up at a later stage, after the countries had had the opportunity of considering the effect of such a shortening on their domestic legislation". One of the objects in moving this amendment was to enquire whether the countries concerned have had the opportunity of considering this question, and whether they are now in a position to accept the shortening of this period. It seems to us that export subsidies are a particularly objectionable form of drawing a distinction, and we would like to see them eliminated as early as possible. If it is a question of merely amending domestic legislation to give effect to this very desirable principle, we do not think it should take as long as three years. A period of one year should be adequate enough for the purpose, and in any case there is already provision in this paragraph whereby the period can be extended at the discretion of the Organization. A similar period of grace has been provided for in respect of other forms of trade restrictions in other provisions of the Charter and since, by common consent, export subsidies are a very objectionable form of trade restriction, we suggest that the period of grace allowed in respect of those export subsidies should be very much shorter than that allowed in other cases. We suggest, Sir, that the period of one year should be adequate, and therefore we move this amendment.
Mr. J.J. DEUTSCH (Canada): Mr. Chairman, we support the Indian amendment to substitute "one year" for "three years". We appreciate the reason for allowing a period of three years for people who want to have some time to adjust their legislation and practices to conform to the rule, but it seems to us that the immediate situation is one in which the withdrawal of export subsidies will be easier than/almost any other time one can think of. At the present time we are confronted by a world scarcity of goods, and if ever export subsidies are not needed, they are not needed at the present time or in the near future. However, three years from now it may not be so, and I think in fact, by announcing a period of three years it will only make it more difficult. The Article goes on to provide that, in particularly difficult cases, permission may be obtained or sought for, for a longer period, so that, where there is a legitimate case, it can be taken care of. Otherwise, this is an opportunity to withdraw from this particular method of trade promotion, which is admittedly harmful to the members on the whole, and we should therefore, I think, limit this period to one year.
CHAIRMAN: The Delegate of Australia.

Mr. E. McCarthy (Australia): Mr. Chairman, whilst Australia also would not, I think, have any great objection in principle to the alteration from three years to one year, we would, I think, have to reserve our position until Paragraph 3 is dealt with.

If that paragraph is, to our point of view, made a little clearer in its support of stabilisation schemes, then I think we could agree with the change from three years to one year. It is true that straight-out export subsidies could be removed at the present time without any difficulty, but it has, in our case, the reverse effect, because their removal now out of the schemes which bring about at times what amounts to an export subsidy - that is, a scheme where the home consumption price is higher than the export price - would have the effect of bringing our domestic prices up to export prices.

It rather demonstrates the point that we are very keen to have inserted in Paragraph 3; that is, that arrangements whereby home consumption prices are fixed irrespective of export prices are not questionable under this Paragraph 2, provided that they are held at domestic price level, even when export prices go above it. Export prices in all cases at the moment are above the domestic price and we would not wish to see that removed until we are satisfied that Paragraph 3 covers the position of the schemes that we, and at least one other country, have in mind.

CHAIRMAN: The Delegate of Belgium.
Mr. DECLEÉ DE MAREDSOUS (Belgium) (Interpretation): Mr. Chairman, I am in agreement with the proposal of the Delegate of India and I would express the hope that the limit which will be set will not be too long, so that we can surmount the various obstacles without any difficulty. We must not forget that we can only have one year after the Charter comes into effect to remove the subsidies for export.

CHAIRMAN: The Delegate for China.

Dr. T.T. CHANG (China): Mr. Chairman, we also would like to support the proposal made by the Indian Delegate, to substitute the words "one year" for the words "three years."

CHAIRMAN: The Delegate of the Netherlands.

Dr. E. de VRIES (Netherlands): Mr. Chairman, I am more in favour of the words of Mr. McCarthy on this point, and the Netherlands Delegation would like to see this in connection with Paragraph 3, and, I should like to add, with Paragraph 4 (a) of this Article.

I think that most subsidization systems for agricultural products were, in reality, stabilization schemes. Now, after the war years, we may indeed say that at this time we need no export subsidies, that we need consumption subsidies at the moment and not an export subsidy, so that works in the reverse way. It is very difficult to see, especially for war-devastated areas, what the position will be when more normal conditions within the country are established again,
and I do not believe that there is anything in Paragraph 4(a) which would prevent any country which feels that its interests are seriously prejudiced by the subsidy asking all at once for discussion of this matter under Chapter VII.

We all know that discussions under Chapter VII may take a long time. If, for instance, in regard to wheat or wool, you set a time limit of one year, within which you must take proceedings under Chapter VII, then you might well find that time too short. So I think that any Member who objects to an export subsidy immediately the Charter comes into being, and does not wait one year or three years, may consider that its interests are prejudiced and will put into action Paragraph 4(a).

I think we must await the results of that before we can see whether such subsidy ought to go out of being or whether it may remain for a short time. So at the present moment I would like to join Mr. McCarthy, the Delegate for Australia, and consider that question after Paragraphs 3 and 4.

CHAIRMAN: The Delegate of New Zealand.

Mr. G.D.L.WHITEx (New Zealand): Mr. Chairman, at the moment we also feel disposed to support the Indian proposal, but would like to reserve the right to have another look at it after we have discussed Paragraph 3.
CHAIRMAN: The delegate of the United States.

Mr. R.B. SCHWENGER (United States): Mr. Chairman, we also, like the Australian, Netherlands and New Zealand delegates, would like to have this considered in the light of what happens to paragraphs 3 and 4 of the article, but it seems to us that it would lead to, perhaps, a good deal of greater use than might otherwise be made of the provision for extension of the period to have the period unduly short, and Professor de Vries has pointed out the very important relation this has to commodities of the type that might follow the procedure laid down in Chapter VII.

CHAIRMAN: Are there any other comments?

In these circumstances, I propose that after the sub-committee have considered paragraphs 3 and 4 they should then direct their attention to the proposal of the delegation of India, taking into account the views which have been expressed in the Commission in favour of the shortening of the period. Is that approved?

Agreed.

A suggestion has been made by the Secretariat, I believe, that the last sentence of sub-paragraph (b) might be amended to read "The Organization shall then determine". That would be in the place of the words "It shall then/determined". This seems to be purely a drafting point, an improvement of language, and I hope we can agree upon this now. Is this proposal agreed?

MR. R.B. SCHWENGER (United States): Mr. Chairman, I am afraid I cannot agree that this is a drafting point. The word "determined" in this context is defined in article 66, paragraph 4, and provides for a different kind of determination than this suggestion provides for. I rather think that our experience with this type of problem
has shown that the type of determination in Article 66, paragraph 1, is more appropriate.

CHAIRMAN: The delegate of the Netherlands.

DR. E. de VRIES (Netherlands): Mr. Chairman, I think that even the United States ought to say that this is a drafting point, as in paragraph 6 of this Article the United States have given a new amended text, and still in that text they said that determination will be done by the Organization by consultation, and so on, that is, the ways and means by which the Organization can determine. Since the words "by the Organization" are still retained in paragraph 6 by the United States, I do not see any objection here to putting in "The Organization".

Mr. Chairman, the New Zealand delegate has just drawn my attention to the French text here which says "par l'Organisation" and the English text which says "through the Organization", so the translation of the French and English texts are not in order, so we have to say that that is a drafting point, I think.

CHAIRMAN: Is the United States delegate impressed by the Netherlands delegate?

MR. R.B. SCHWENGER (United States): Yes.

CHAIRMAN: Under these circumstances, we will refer it to the careful study of the sub-committee.

The delegate for Chile.
Mr. GARCIA OLDINI (Chile): (Interpretation): Mr. Chairman, perhaps the Sub-Committee will be in a position to determine, but ever since the Secretariat proposed the sentence, it might be well to ask what is meant by the word "Organisation". Sometimes at the Conference it implied Executive Committee, or may be Administration, if one is created. But I observe that each time the term is implied in a different sense, and anyway, every time it is used differently from the time it was used before.

If we refer to Article 66, for instance, we read that the decision will be referred for the opinion expressed by two-thirds of the Organisation.

However, if we read the text we see that the Conference may decide, and the Organisation is no longer mentioned.

Well, I do not propose that we should determine here and now what is meant by the word "Organisation", but since the question is raised it might be well to ask somebody what is exactly meant by the word "Organisation".

CHAIRMAN: I would like to point out to the Delegate of Chile that this question will be considered when Commission "B" takes up Chapter VIII - the Organisational Charter of the Charter.

I would direct attention now to Article 62, which states that the Organisation shall have a Conference; the Organisation has principal organs (an Executive Board, and Commissions (that we established) and the Secretariat. The Charter gives various functions to those various organs. When we speak of the Organisation, we mean the organ of which the function has been defined by the Charter.

CHAIRMAN: The Delegate of the Netherlands.

Mr. DE VRIES (Netherlands): Mr. Chairman, the question of
the Chilean Delegate has been answered. As far as this calls for explanations on primary products, in Article 77 it is said "by the Executive Board, after advice and recommendation of the Commodity Commission".

For the non-primary products, the Conference has to set up procedures; but for the primary commodities, already it has been put in Article 77.

CHAIRMAN: The Delegate of Norway.

Mr. ERIK COLBAN (Norway): Mr. Chairman, about this slight drafting amendment proposed by the Secretariat, if there is any objection, and as the New York Text seemed to be clear, I think we should stand by the New York text on this point, and not refer it to the Sub-Committee, which will have more than enough to do.

CHAIRMAN: The Delegate of Norway has proposed that we stand by the New York text, and will not refer this proposal of the Secretariat to the Sub-Committee.

Is that agreed?

CHAIRMAN: The Delegate of Chile.

Mr. GARCÍA-OLDINI (Chile) (Interpretation): I agree, Mr. Chairman, but nevertheless the question remains and should be clarified, because if in the given Article the use of the word "Organisation" means a reference to such and such a body of the Organisation, this is not so clear in other Articles; and the best proof is given here, when we have tried to evade the issue rather than solve the problem. Therefore, I do consider that the question still remains. However, I agree that we adopt the New York text.
CHAIRMAN: I would point out to the Chilean Delegate that the question will come up when we consider Chapter VIII in Commission B. This is a matter which really relates to the Organisation, which is covered by Chapter VIII. If there is after that any particular doubts raised during our consideration of the Organisational Chapter, the matter can be referred to the Legal Drafting Committee for their opinion, and in order to clear up any ambiguity.

The proposal of the Norwegian Delegate is approved.

The United Kingdom Delegation has proposed the addition of a new sub-paragraph (c). I will ask the Delegate of the United Kingdom to introduce his proposal.

Mr. SL... (United Kingdom): Well, this proposed new sub-paragraph may look rather complicated, but I think when one reads it it is, in fact, fairly well self-explanatory.

It is meant to take care of a special case of difficulty which the Draft Charter has, we think, overlooked entirely. The case of difficulty is where a Member who is very clearly supporting some commodity finds that in the market he is being met with substantial competition from a non-Member. That is a case, we think, which is not taken care of. The case where a Member finds himself in competition with a Member is already cared for by paragraph 2, but naturally that law does not apply to a non-Member, a non-Member is free to go outside the subsidies and do just as he likes, and that may cause very great embarrassment to a Member in third markets.

It is no use, in a case like this, for a Member who is suffering to take action in his own home market against a non-Member, because it is a case of third markets, and not of dealing with his own market. Perhaps the case may be made most clear by an example.
Let us consider the case of a small territory which is interested in catching and exporting fish - that is the industry by which it lives. It exports its fish to a great many markets. It may find there is a non-Member who also exports fish, and is subsidising its exports very heavily. There is nothing that that small Member territory can do to help itself as the Charter now stands. It is no good it putting on some kind of duty in its own market, because the market which matters is the third market. In a case of that kind, the only remedy he can have is a counter-subsidy.

It is for that reason that we make this suggestion, in order to prevent troubles arising through the interests of other Members being affected we have put in the last sentence that it provides for consultations if troubles of that kind arise. But we do think in this case, which is an actual and very real one and not theoretical, that it is necessary to have a provision of the kind.
CHAIRMAN: Are there any comments on the principle underlying the proposal of the United Kingdom Delegation? The Delegate of the Netherlands.

Dr. E. de VRIES (Netherlands): Mr. Chairman, the Netherlands Delegation feels that the United Kingdom Delegation has covered a case omitted from previous discussions, and we support the principle, and especially for the consultation to be made obligatory --"shall consult" if its interests are being adversely affected) -- the words are much stronger than "seriously prejudiced" which occurs in a number of cases in this Article, so we think it is a very good draft.

CHAIRMAN: Are there any other comments? The Delegate of Canada.

Mr. J.J. DEUTSCH (Canada): Mr. Chairman, we would support the United Kingdom Delegation.

CHAIRMAN: The Delegate of China.

Dr. T.T. CHANG (China): Mr. Chairman, we would also like to support the principle in the proposal of the United Kingdom Delegation.

CHAIRMAN: The Delegation of New Zealand.

Mr. G.D.L. WHITE (New Zealand): Mr. Chairman, I am not quite au fait with what has been going on in the committee which is dealing with relations with non-Members, but on the assumption that there is nothing in this proposed United Kingdom amendment which would contravene something else which is later going to be decided about non-Members, we would support it.
CHAIRMAN: The Delegate of Norway.

H.E.M. Erik COLBAN (Norway): I would like to ask the Delegate of the United Kingdom whether his Delegation has considered the possibility of previous consultation with other interested Members. His draft as it stands seems very logical, but I just wanted to know whether he has ruled out definitely any previous consultation.

CHAIRMAN: The Delegate of the United Kingdom.

Mr. R.J. SHACKLE (United Kingdom): Mr. Chairman, I would like just to answer the Norwegian Delegate's point. I think (although I have not gone into it very thoroughly) that the point is probably already covered by paragraph 1, because this would be a subsidy which would operate to increase exports of products. That being so, I think it would fall within the provisions for consultation in paragraph 1. That would not necessarily involve prior consultation—-I confess I had not really thought of the point of prior consultation.

I suppose it would be possible to say that there should be prior consultation if circumstances allow; but this is a case in which conceivably a Member territory might find itself very suddenly in a very serious predicament, and it might in such a case have to act promptly. We have, I think, already discussed this type of question on Article 34. It may be that we should find some form of words which would say that there should, wherever possible, be prior consultation, but I think we would have to recognize that in urgent and serious cases that might not be possible. You might have to be content with consultation that took place as soon as the action was taken.
I would suggest that the sub-Committee might perhaps take that point into consideration. There is also the point that was raised by the New Zealand Delegate as regards the relationship of the Article dealing with the treatment of non-Members. Well, of course, we do not know what will be in the Article about the treatment of non-Members; but it does seem to me that, practically speaking, whatever may be in it, this provision here suggested could not conflict with it, because it simply says that the injured Member can put on a counter-subsidy. Well, it would be only if the non-Member somehow had a right not to have a counter-subsidy applied against it that he would have any claim, but ex hypothesi a non-Member cannot have any right, so I do not think there could possibly be any difficulty.
Mr. ERIK COLBAN (Norway): The explanation given by the representative of the United Kingdom is entirely satisfactory to me. I hope the Sub-Committee will find some proper form for it.

Mr. E. MCCARTHY (Australia): Mr. Chairman, generally the Australian delegation would support that proposal, but I think one point might be considered, and that is whether it does not have some bearing on the proposal on provisions of Article 17. I am not sure whether it does, but Article 17 does set down — and perhaps Mr. Shackleton could answer the question off-hand — provisions under which the anti-dumping and countervailing duties would apply, and the question might arise that, if a member was forced into a form of subsidisation, and that form of subsidisation was in effect countenanced by this proposed Article, whether it would not be ruled out or be subject to a countervailing duty under Article 17.

Mr. R.J. SHACKLE (United Kingdom): Mr. Chairman, I think it is quite true that if a member can counter/subsidies in this provision, possibly he might find himself met with anti-dumping duties in some territories. Article 17 gives permission for the use of anti-dumping duties. At the same time I rather doubt whether, in practice, this is likely to arise, because — let us take a fictitious case — let us say there will be a number of member countries interested in exporting fish, and many of them will be consumers of fish as well. It strikes me that if they are simply consuming countries they will not, probably, bother to put on an anti-dumping duty. If they are exporting countries, they probably will have a common interest in doing something about it, and the non-member exporters subsidise in that case. It seems to me that under the last sentence, they might very well decide that they should pursue some sort of common action until the difficulty would be got over. So I think that, in practice,
there would not be much trouble in that way.

Mr. S.J. de STEVARDT (South Africa): Mr. Chairman, I am fully in support of the principle enunciated in the United Kingdom proposal. I am only wondering whether it goes far enough to cover all the types of cases that one might have to deal with under this general heading of trying to defend yourself against the action of other parties. Now, this proposal specifies non-members and I take it to mean a non-member government. Now, as you know you have, very often, to contend with private initiative organizations which operate on such a big field and through a system of camouflaged two-price system. Their export could have the same effect, or rather you might have to face the same type of problem as you would be faced with when a non-member should apply a export subsidy. That is the first difficulty that I have.

The second one is with countries as members of the Organization. They may temporarily be faced with a situation, and there might be a different interpretation or a different way of looking at it, in because I believe/paragraph 3 of Article 30 provision is made for some variation of the price in certain circumstances, and the member of might making use /that/at a given juncture be selling at a price in a third market which is lower than that at which the exporters think they are able to compete in the market, and something might have to be done. Now, as regards the first case, it might be covered under Chapter VI. If that is so, I would like to know what is the view of this Commission on that point as to if a/system is operated by a private organization whether for a member or non-member country the case would be covered under Chapter VI. And as I say, in the second place, you might temporarily have a difficulty of even a especially member country or an exporter from a member country, where it is done by a private organization, operating a camouflaged two-price system. What counter measures can you take in such a case? I
would like to see those words introduced into this amendment. For myself I think it would be simpler if the words after "directly and indirectly", instead of reading as it reads now: "in respect of the product by a non-member which is a competing exporter...." it would just read: "by a competing exporter". I am just making that suggestion for consideration.
Mr. R.J. SHACKLE (United Kingdom): Mr. Chairman, as regards the first point made by the South African Delegate, I would like to ask him a question: that is whether he contemplates that counter subsidies could be used against this dumping by private interests in Member countries or only in non-Member countries.

Mr. S.J. de SWARDT (South Africa): Both.

Mr. SHACKLE (United Kingdom): In that case it does seem to me to open up rather large possibilities in considering a case of dumping under Article 17.

We have been careful to frame, as between Members, a set of rather tight and precise rules and it does rather seem to me that if we recognise their right to use counter subsidies where dumping was being practised by private interests in a Member country, that might lead to rather extensive repercussions and the widening of the scope of the anti-dumping measures which we have contemplated.

I am afraid I was only speaking on the spur of the moment and I cannot pretend to express a considered opinion, but I have the feeling that we might open up rather serious possibilities if we were to contemplate this sort of thing. That is all I would say here and now, without further consideration, on the first point.

As regards the second point raised by the South African Delegate, we might have certain cases in which, temporarily, another Member might be doing something which was in the nature of an export subsidy without infringing a Charter rule, such as that mentioned in Paragraph 3 of this article.
In a case of that kind, I would have thought it would be a matter for the Organization to determine whether, in fact, the terms of the Charter were being abused, or whether they were not. If they were not being abused, I find it rather hard to see whether any Member would be, so to speak, within its rights in resorting to some retaliatory action. If the Organization should find that the terms and intentions of the Charter were being broken, then I presume that other Member would be called to order and would have to modify what he was doing. That, again, is rather an extemporary answer.

CHAIRMAN: The Delegate of Czechoslovakia.

M. Stanislav MINOVSKY (Czechoslovakia) (Interpretation): Mr. Chairman, the Czechoslovakian Delegation agrees in principle with the amendment which has just been submitted by the United Kingdom Delegation, but we wonder if this amendment ought not to be sent to the Sub-committee which is dealing with Article 36, that is, the relations with non-Member countries.

Mr. R.J. SHACKLE (United Kingdom): Mr. Chairman, I certainly can see no objection to it being referred to that Sub-committee. As I said before, I cannot see how there could possibly be any conflict with any conceivable form of Article 36, because, in any case, non-Members could not have any rights.

CHAIRMAN: The proposal of the United Kingdom Delegation is a proposal in relation to subsidies. It provides for an exception to the general rule under which subsidies may not be granted, and therefore I do not think it has any direct bearing on Article 36. Therefore I think the proper place for it to be considered is in this Commission at this time, when we are considering Article 30.
CHAIRMAN: The delegate of South Africa.

MR. S.J. SWART (South Africa): Mr. Chairman, with regard to Mr. Shackle's reply that the countervailing duties of the country of import might create a situation where you have to apply a system operating to the detriment of another exporting country to that market, the only difficulty that I see there is that the exporting country, say of a primary commodity, is only dependent on the action taken by the importing country, whereas this competition is really with another exporting country. It is for that reason that I would like this aspect to be considered, so that the exporting country should not be dependent only on the action taken by the importing country, which might welcome getting the goods at a lower price.

(Mr. Shackle rose to speak)

MR. R.E. SCHWENG (United States): My point is a new one, Mr. Chairman, if Mr. Shackle.....

(Mr. Shackle rose to speak)

CHAIRMAN: I am afraid we are getting on to discussion which might properly be conducted in the sub-committee.

MR. R.J. SHACKLE (United Kingdom): I certainly see no objection to the sub-committee discussing this - in fact, I think it ought to, because there are certainly points which require consideration.

The only thing that I would say is that we have already, in the sub-committee on Article 17, introduced an exemption to paragraph 5 which would allow one Member, so to speak, to take friendly action to protect the interests of another, even though
it had no domestic industry which would be threatened. That is an amendment which has already been suggested to Article 17, which is an Article on a similar line of thought. But I quite agree that this is a matter which the sub-committee should attend to.

MR. R.B. SCWENGER (United States): Mr. Chairman, we see no objection to the addition of a paragraph of this type.

I take pleasure in making one point, however, in connection with the suggestion made in paragraph number 6 of this document W/190, and that is that there might well be consideration by the sub-committee of the reference in this proposal to the Organization. It seems to me, personally, that the words "if necessary with the Organization" represent a rather cavalier treatment of the role that the Organization might play in this matter, and I suggest that it might be improved by either leaving out the words "if necessary" and/or changing "with" to "through", or something of that sort, I do not have an exact text in mind.

CHAIRMAN: The delegate of Belgium.

M. DESCLEE (Belgium) (Interpretation): I was just going to raise the same point, Mr. Chairman. I entirely agree with the remarks made by the United States representative. The question of relations with non-members raises the necessity of common action where the Organization will tell every member what its part should be. From this viewpoint I think it would be necessary to re-examine the amendment of the United Kingdom delegation.

For instance, when we read in the third line "a Member.... which considers that its interests are being prejudiced", and so the question whether they are being prejudiced or not should be left for the Organization to decide. The same remark applies later on in the same text when we read "extent which the Member
deems necessary". I think it would be preferable to read "to the extent necessary".

In any case, I think it is for the sub-committee to examine the question whether this matter should be referred to the Organization or not.

CHAIRMAN: The delegate of the Netherlands.

DR. E. de VAES (Netherlands): Mr. Chairman, if I may come back for the moment to the very interesting discussion between South Africa and the United Kingdom on this point.

I think that we might insert the possibility, or even the necessity, when there is consultation, that also the Member or Members which are importers of this product shall come into this consultation. In the fourteenth line, it says "these Members shall consult together", and maybe we might take the words as they are in paragraph 5 of Article 30 - "Member having an important interest in the trade in that product", so that would mean that the importers shall consult with the exporters. So, you might find a solution and adjustment by contemplating duties against non-members or by subsidies or other means. In that way the importers come into the consultation.
CHAIRMAN: The Delegate of the United Kingdom.

Mr. SHACKLE (United Kingdom): Mr. Chairman, I quite agree that the committee should be consulted, but I want to say one or two things. First as regards the point raised by the Belgian Delegate that the matter should in any case be brought before the Organisation. That is the underlying theme of Article 35. The first stage contemplated in that Article is consultation between the respective members, and only if they fail to come to some arrangements between themselves to trouble the Organisation. However, I quite agree that is a point that the Sub-Committee should look into.

As regards the point raised by the Netherlands Delegate, I would like to point out that we have said in this last sentence provided that any other Member adversely affected, then those Members shall consult.

That means all the Members who feel they are in any way harmed by this action, and I am not sure whether that may not suffice to cover the case, because other Members presumably would not wish to trouble themselves in the matter.

However, that is for the Sub-Committee.

CHAIRMAN: The Delegate of Norway.

Mr. ERIK COLBEN (Norway): Mr. Chairman, I think we are all in agreement on the principle of the United Kingdom proposal. But as to the South African suggestion to widen the scope of this idea, I respectfully beg to warn the Commission against bringing in such new problems at this stage of our work. The Organisation will look into all the problems we are not able to solve and that should, I think, be sufficient.

It is a very very complicated problem to deal with private
enterprises applying a double price system, so when we send it on to the Sub-Committee I hope it will not be understood by the Sub-Committee as an instruction to work out some positive suggestion.

CHAIRMAN: I think the remarks of the Norwegian Delegate are very pertinent. The South African Delegate has made some suggestions which the Sub-Committee can examine, but as these suggestions were made in the course of the discussion there was not a full opportunity for the Commission to examine them, and it should not be taken as any interpretation of the sense of the Commission that they are supporting the suggestions of the South African Delegate.

On the other hand, I do think this discussion has shown in two speeches that the sense of the Commission is in favour of the principle underlying the United Kingdom proposal.

I therefore think we can now refer this proposal to the Sub-Committee to work out an acceptable text, taking into account all the views which have been expressed in the Commission.

Is that agreed?

Approved.

The Delegate of Cuba.

Mr. FRESQUET (Cuba): I will try to be short Mr. Chairman. The Cuban proposal aims to allow the nation as yet relatively underdeveloped to enter the field of subsidisation.

The Cuban Delegation thinks that for a mature country with the necessary financial and credit equipment it is very easy to go through the way paved in Article 30, without conflicting with it; but to a small nation this situation is not exactly the same.

A nation that lacks the necessary experience in Government
financing and that does not have the training in the credit system cannot give subsidisation if it does not use the instrument of taxation and it does not use that instrument in a very direct way.

That is what we pretend to get through this Amendment. The Delegation thinks that the most elaborate way that can follow a mature nation, and a very simple and direct way that has to be followed in a small and young nation, produce the same economic effects on world trade; and we do not see any harm in allowing the small and young nations to use this procedure.

We are aware that we cannot have absolutely the green light to go ahead using this method. We are ready to be subject to it, using it to the same requirements as are established in Article 30 for the well-developed and trained nations.
Mr. J.J. DEUTSCH (Canada): Speaking as representative of a country which is often regarded as as yet relatively undeveloped, I see a good deal of difficulty in this paragraph. I interpret it to mean that a country in that position (which would certainly include my country) could put duties and taxes on import articles and not impose them on domestic articles, and that is the same thing as putting on a tariff—that is the exact effect of it, and I want to ask the Cuban Delegate whether he wishes this freedom to apply to items which are bound in trade agreement as well as to items which are not bound, because the exact effect of this is to put on duties on import items. If you exempt national products and put them on import products, the effect is just the same as if you were imposing a tariff. Is that to apply generally on bound or unbound items in a trade agreement?

M. R. L. FRESQUET (Cuba): Mr. Chairman, I fail to see that difference in all Article 30, and the reason is because all Article 30 deals with a very elaborate method of establishing subsidies. We are trying to put on the table a very direct proposal—a very simple one, having the convenience of the simple methods that they are more exposed to the critics.

Mr. R.J. SHACKLE (United Kingdom): Mr. Chairman, if this is regarded as such a short circuit method of giving subsidies, I do venture to think that there is an important difference from the method of the subsidy which is paid out of the Exchequer by recurring Parliamentary votes. It does seem to me that the mere fact that a subsidy paid out
of the Exchequer has to be periodically approved by Parliament (passed in a Finance Act or something) is an important safeguard, and an important measure of control, whereas in the case of a tax measure once it is passed it tends just to go on -- nobody looks at it again, and that same recurring scrutiny will not be present. I do think that there is an important difference there.
Dr. E. de VRIES (Netherlands): Mr. Chairman, I should like to agree with the Canadian delegate, and ask him, at the same time, what he exactly means in this amendment? There is more in this than just putting tariff discrimination against imported products, because when he said about exempting national products from duties and taxes, it may be that these are exported or domestically used national products. When they are exported, the case is covered by paragraph 2(a), which just says that export products may be exported, and so on. If it is not an export product, and I think that is what is meant by members which are relatively undeveloped, that means there is a means to reduce imports and protect new economic developments in that country. I think, in that case, it is just the same whether that money comes from a special fund, from imports, or from any duties or taxes, so long as it comes from the general funds of the country, and in that way I may say to the United Kingdom delegate, that what is, in England, the case, is not the case in all countries of the world. There are many countries where the government has funds to do something on behalf of the economic development in general - the welfare fund, and so on. Only to a very slight extent does it go through the parliament. In that case it is just covered by paragraph 1, because then you give a subsidy to the whole of the national producers, and not only to the exporters, and in my opinion you may do that with other funds, irrelevant of the source of the money, but only if another member is seriously prejudiced by this measure. He then applies to the Organization, and a member applying this measure proposed by the Cubar delegate, has to notify the Organization as to the extent and nature of the subsidisation, so that that member has to put down where the funds are derived from. It is clear to everybody then, what this country is doing, but I think it is allowed in this Article.
Mr. R.J. SHACKLE (United Kingdom): I do feel that this principle of national treatment of internal taxation is a very important one. It is a well recognised one which existed for many years in many countries of the world, and we have a clause of that kind already in Article 15 of the Draft Charter, and I am afraid it would be regrettable to go against the principles of this Article. If we need funds for the importation of various products into a country, it seems to me they should be applied to domestic products equally.

Mr. GEORGE HAKIM (Lebanon): I only wanted to suggest that this amendment is not relevant to Article 30, because Article 30 deals with the subsidies on the exportation of products. As far as I understand this amendment, it is a subsidy for the development of production, and these subsidies are permitted. There is nothing to prevent an undeveloped country from giving subsidies to develop its production. Now, if this amendment is meant to be an exception to Article 15, then I think it should go under Article 15 and not Article 30. That is all I want to say, Mr. Chairman.

Mr. R.I. PRESQUET (Cuba): Mr. Chairman, I wonder if it would clear away the next day's discussion, if I answered briefly to the objections already made. With reference to the first remark made by the delegate for the United Kingdom, I will repeat what was said by the delegate for the Netherlands, that this depends on the legislative system of every country.
In my country, for instance, both methods can be established in a permanent way, or Congress may authorize the Executive Branch just to do it for a limited period of time, or limit the number of industries, so it all depends on the way it is treated in accordance with the legislation in every country.

With reference to the remarks of the Delegate for the Netherlands, I would say that in our case we are not aiming at an export subsidy but at a domestic subsidy, and naturally we are not thinking of trying to avoid excepting products which are exported from the taxes on domestic consumption. As the Delegate of France has said, this is not a consequence of any tax; when products are exported, they get out of the jurisdiction of certain nations and cannot be taxed on domestic consumption.

I would say that our proposal is a protective measure. We cannot hide that; it is very obvious, and the reference we make to Article 15 is necessary because in Article 15 is established a provision against any discrimination in taxes for domestic or imported products. That is why we have to make a reference to Article 15 and we make a proposal under Article 30 because that deals with subsidies.

I do not share the objection of the Delegate of the Lebanon, because Article 30 covers both kinds of subsidies - export subsidies and domestic subsidies. In New York we changed the title of Article 30 in order to cover both kinds of subsidies and so it now reads: "General undertaking regarding subsidies." In Paragraph 1 of the same Article, as I said before, it considers domestic subsidies in the phrase which reads: "or to reduce imports of any product.
into, its territory, ...". The only way to reduce the import of products into a country is by domestic subsidies.

CHAIRMAN: We will resume the discussion on the Cuban proposal tomorrow.

Before we break up, I have an announcement to make. The Sub-committee on Chapter VII will meet this evening at 8 o'clock in Room VIII, that is, in this room instead of in Room 210.

Commission B will meet tomorrow at 2.30 p.m. in this room.

The Meeting is adjourned.

The Meeting rose at 6.30 p.m.