In opening the meeting, the CHAIRMAN suggested, and the Committee agreed, that Articles 1, 75, 77 and the provisions dealing with penalties in the case of non-payment of contributions, all of which were not discussed at the London meeting of the Preparatory Committee, should be referred to the Administrative Sub-Committee.

After some discussion it was decided that the Secretariat should continue to issue the minutes of the Drafting Committee and its Sub-Committees as hitherto.


The Committee proceeded to discuss Article 29, paragraph 3, as drafted in the Report (E/PC/T/33). It was decided that the square brackets in this paragraph be provisionally deleted.

Mr. LEDDY (UNITED STATES) suggested that the text of the first Proviso in this paragraph should be amended as follows:

"Provided that any country which is not a member of the International Monetary Fund, may become a member of the Organization if, upon accepting this Charter, it undertakes to enter into a special exchange agreement with the Organization, which would become part of its obligations under this Charter."

In answer to a question of Mr. PHILLIPS (AUSTRALIA) the CHAIRMAN explained that a country which does not accept the exchange agreement cannot become...
become a member of the Organization.

Mr. LEDDY (UNITED STATES) confirmed that the bargaining position of the organization will be strengthened by this amendment.

It was agreed that the above text and the original London text should be presented in the tentative draft in parallel columns for consideration in the second reading.

Paragraphs 4, 5 and 6 were provisionally adopted as drafted in the Report. In paragraph 6, line 2, the words "as to" were inserted before the word "whether".

Article 30, General Undertaking Regarding Subsidies, Elimination of Export Subsidies, Exceptions.


Paragraph 1: The amendments of the United States Delegation were adopted with the following changes suggested by various delegations:

The words "or maintains" were added after "grants" in line 2;

the words in square brackets in line 3 were deleted at the suggestion of the CHAIRMAN;

In line 3 the words "directly or indirectly" were inserted after the word "operates" at the suggestion of Mr. WHITE (NEW ZEALAND);

In lines 4 and 5 the words "a product" were replaced by "any product" on the suggestion of Mr. SMITH (CANADA);

In line 7 the word "anticipated" was replaced by "estimated" at the suggestion of Mr. GUERRA (CUBA);

In line 8 the words "the product imported into and exported" were replaced by "the affected product or products imported into or exported" at the suggestion of Mr. SHACKLE (UNITED KINGDOM);

In line 11 the words "any Member" were changed into "any other Member".

In line 12 the words "the operation of" were deleted both the last mentioned changes at the suggestion of Mr. PHILLIPS (AUSTRALIA).
Paragraph 2: On the suggestion of Mr. PHILLIPS (AUSTRALIA) this paragraph was divided in two sub-paragraphs:

(a) at the beginning of the paragraph, and

(b) beginning with the sentence "Members shall give effect", etc.

The changes introduced by the United States Delegation were adopted.

The CHAIRMAN supported the United States suggestion that the words "would be considered as a case under paragraph 1" should be provisionally deleted and this was agreed to.

Mr. ALVAREZ (CHILE) wished to insert the following interpretation of this paragraph in the report of the Drafting Committee:

"In the opinion of the Chilean Delegation this paragraph should not be interpreted so as to prevent countries far removed from world markets to sell their products at current world market prices even though these may be lower than the prices charged in the domestic market, such action not being the result of a direct or indirect subsidy or of the establishment of any other system."

Mr. ALVAREZ (CHILE) contended that this was in accordance with the general opinion of the Preparatory Committee in London.

Mr. GUERRA (CUBA) wished to refer again to this paragraph at the next meeting of the Drafting Committee.

Mr. SHACKLE (UNITED KINGDOM) wished that the Report should make it clear that paragraph 1 refers also to export subsidies and that paragraph 2 has to be regarded as a special case rather than an alternative to paragraph 1.

Mr. MA (CHINA) was willing to withdraw his reservation (Report, page 16, paragraph (d) (ix), if satisfied that the point is covered elsewhere.

Paragraph 3: The CHAIRMAN referred to the amendment suggested by the New Zealand Delegation (C.6/W.23) which was discussed at some length.

/Mr. WHITE
Mr. WHITE (NEW ZEALAND) explained the meaning of the amendment in accordance with the views expressed at the London meeting of the Preparatory Committee (Report, page 16, paragraph d (xi)).

Mr. LEDDY (UNITED STATES) pointed out that this amendment changed the concept of the Article and that it could not be accepted without redrafting the whole Article.

The Committee decided to replace the words "domestic price of a primary product" in line 1 by "domestic price or of returns to domestic producers of a primary product".

The Committee then adopted the amended draft presented by the United States Delegation with one change in line 5. The words "not to be" should read, "not to involve".

Paragraph 4 (a): The Committee adopted this sub-paragraph as amended by the United States Delegation and decided to delete the words "whether falling under paragraph 1 or paragraph 2" in lines 1 and 2.

The suggestion made in the Report on page 16, paragraph d (xii) was referred to the Legal Drafting Sub-Committee.

Paragraph 4 (b): Mr. SMITH (CANADA) pointed out that this sub-paragraph should be deleted. It was illogical and unreasonable in principle as it would allow any Member which desired to subsidize exports of any primary product to disregard entirely the obligations imposed in paragraphs 1 and 2 and also in effect the obligations envisaged in paragraph 4 (a). It was reasonable that there should be special provisions for primary commodities, through the Commodity Agreement provisions of Chapter VII, and this was provided in paragraph 4 (a). But under paragraph 4 (b) any Member, merely by going through the motions of negotiating regarding a Commodity Agreement, and there adopting a position such that no agreement was in fact reached, could free itself from all these restrictions and act unilaterally. Paragraph 4 (b) is thus not even a mere loophole; it is a wide open space in the careful provisions being developed to restrict unfair practices.

Mr. LEDDY (UNITED STATES) explained that there may be a certain, though /not considerable
not considerable, risk of abuse but that sub-paragraph (c) of this Article was an important check.

Mr. SMITH (CANADA) felt that the apparent safeguard envisaged in paragraph 4 (c) was not adequate, as the selection of a representative period was left to the Member wishing to use export subsidies, and the fluctuations in world trade in primary products has been in the past such that almost any desired result could be obtained in one period or another. Moreover, in the past within which the "representative period" is to be chosen, the very abuses of unilateral and nationalist trade practices (including subsidies) which this Charter is designed to restrict, flourished.

Mr. GUERRA (CUBA), though sympathizing with the Canadian view, was inclined to accept Mr. Leddy's explanation.

Mr. SMITH (CANADA) said that Canada would reserve its position on paragraph 4 (b) which it considered unreasonable in principle.

The Committee adopted provisionally this sub-paragraph as amended by the United States Delegation with the following change: The words "paragraphs 1 and 2" in lines 5 and 6 to be replaced by "paragraph 2".

Paragraph 4 (c): The Committee adopted the changes introduced by the United States Delegation. One of these changes involved deletion of the word "primary" in line 3.

Mr. GUERRA (CUBA) explained that the deletion of the word "primary" was suggested already at the Preparatory Committee in London in order to cover border cases of such products which cannot be classed as "primary products" in the ordinary sense of this term.

Mr. TORREZ (BRAZIL) concurred in this explanation.

In view of this change Mr. GUERRA (CUBA) and Mr. LECUYER (FRANCE) suggested that this sub-paragraph should not remain in paragraph 4 (which deals with primary products) but be made a new paragraph 5. The present paragraph 5 would then become paragraph 6. The Committee agreed to this change.

/Mr. MA (CHINA)
Mr. MA (CHINA) requested that the following reservation be included in the Report of the Drafting Committee:

"In the opinion of the Chinese Delegation the share of export of any primary products in the world trade (whether or not acquired as a result of the use of subsidies or similar measures) should not be subject to a limitation by its share in the world trade during any previous representative period, except when it is proved that such export forms part of a burdensome world surplus."

Paragraph 5 (now 6) was adopted without change.

Mr. KORTEWEG (NETHERLANDS) declared that he would consult his Government with regard to the suggestions presented at the London meeting of the Preparatory Committee (Report, page 17, paragraph 4 (xiv)).